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ABSTRACT

Congress has the authority to return rules and regulations to the Commissioner of Education if those rules and regulations violate the Commissioner's statutory authority. These oversight committee hearings were held to hear agency and public comments about rules which the Commissioner proposed to put into effect to deal with the new formulas that have been developed by the College Scholarship Service and the American College Testing Program to determine reasonable family contributions in the various student financial aid programs over which the Commissioner has authority and in which these systems have been utilized. Those testifying in person or by letter include the Commissioner of Education, the College Scholarship Service, the American College Testing Program, and the National Association of Student Financial Aid Administrators. (JMF)

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STUDENT NEED ANALYSIS

(Budgetary Concerns or Ability To Pay?)

OVERSIGHT HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, D.C.
MARCH 10, 1975

Printed for the use of the Committee on Education and Labor
CARL D. PERKINS, *Chairman*

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STUDENT NEED ANALYSIS

MONDAY, MARCH 10, 1975

House of Representatives,
Subcommittee on Postsecondary Education
of the Committee on Education and Labor,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 2161, Rayburn Building, the Hon. James G. O'Hara, presiding.

Members present: Representatives O'Hara, Blouin, Simon, Mottl, Hall, Quie, Erlenborn, and Esch.

Staff members present: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; Robert Andringa, minority staff director; and Christopher Cross, minority legislative associate.

Mr. O'Hara. The subcommittee will come to order.

Today the subcommittee is holding its first meeting of the 94th Congress. We have met today not to take testimony on any proposed bill but to hear agency and public comments about rules which the Commissioner of Education proposes to put into effect to deal with the new formulas that have been developed by the College Scholarship Service and the American College Testing Program to determine reasonable family contributions in the various student financial aid programs over which the Commissioner has authority and in which these systems have heretofore been utilized.

We have invited the Commissioner of Education, the College Scholarship Service, the American College Testing Program and the National Association of Student Financial Aid Administrators to present their respective views on this issue to the subcommittee.

This morning's session is an exercise of the subcommittee's general oversight authority. Through these hearings we hope to provide a forum in which the affected public and the Office of Education can discuss their respective views of the situation.

The Congress does have the authority under section 431(d) of the General Education Provisions Act as amended in 1974, to return rules and regulations to the Commissioner if those rules and regulations violate the Commissioner's statutory authority.

This is not, of course, a general veto power over regulations because we don't like their substance nor do I interpret that amendment—of which I was the original sponsor—to apply to mere proposed regulations.

It is my plan to exercise the 431(d) review authority vigorously whenever it seems to be called for but only with respect to final regulations.

Although we are not in a section 431(d) situation today, the record of this hearing could be utilized if the proposed rules are issued in their present form and if—this is important—a case is made that they exceed the statutory authority on which they are based.

But we are not here to engage in the imposition of legislative sanctions but to get the problem out on the table and see if the respective parties can accommodate each other's legitimate concerns.

We will begin our session today with the Commissioner of Education, whose testimony will be followed by the needs analysis services and the National Association of Student Financial Aid Administrators.

Following all these presentations and the discussion, the Commissioner has asked to be recognized to provide the subcommittee with further information regarding a forthcoming Office of Education request about the Basic Grant program, a request that is unrelated to the issues we are discussing today, but which we ought to bring before the subcommittee at the earliest possible moment and, therefore, I asked the Commissioner if he would be prepared to testify concerning that subject today as well as the matter that we have scheduled for today. At this point I would like to insert the text of the February 19th notice of proposed rule-making and a letter from Commissioner Bell advising the higher education community about this notice.

[Information referred to follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
WASHINGTON, D.C. 20202

Dear Colleague:

This letter is intended to call your attention to the issuance of new proposed regulations which, when published in final form, will significantly affect the administration of your Federal programs of student financial aid.

This year the major private need analysis systems announced changes in their methods of estimating expected family contributions considerably in excess of adjustments needed to account for inflation alone. These changes held the potential for a significant redistribution of Federal student assistance funds among institutions and students. You may recall that we published additional funding criteria last November 13 to prevent such a major shift from taking place among institutions. We are now addressing the problem of a possible shift of funds among individual students.

The proposed rule contains three major components, as follows:

1. In order to provide for review of future modifications in private need analysis systems used to distribute Federal funds, the proposed rule would institute an annual review cycle. Under the proposed rule, any person or agency desiring approval of a need analysis system for use in awarding Federal funds must submit that system to the Commissioner on or before June 30 of each year. Approval will be given if that system produces results within $50 of established benchmark figures in at least 75 percent of a set of sample cases. The benchmark figures will be those of the approved system used by the largest number of students in the prior year, and the set of sample cases will be published annually.

This rule does not establish a Federal need analysis system, but rather accepts the need analysis methodology and rationale developed by private parties, provided that they meet standards of comparability set forth in the regulations.

2. In order to deal with the immediate problem of distribution of financial aid awards to students for use in 1975-76, the review and approval process will become effective after final publication of the proposed rule.

The benchmark figures which will apply to the awarding of Federal funds to individual students for academic year 1975-76 will be the expected parental contributions derived from the table (Table E) published by the College Scholarship Service (CSS) for determining expected parental contributions and awards for use in the current 1974-75 academic year, reduced by 20 percent to account for changes in the cost-price index published by the Bureau of Labor Statistics. It is in terms of this standard that the major private systems would be seeking Federal recognition under the proposed rule and would be assisting your institution in the awarding of Federal student aid funds.

3. In order to accommodate institutions which are currently engaged in the award cycle for academic year 1975-76, and recognizing that such awards are, in many cases, based upon the need analysis results already furnished to them by either of the two major private systems of need analysis -- CSS and the American College Testing Program (ACT), the proposed rule permits the limited use of such need analysis results to set the outside limit of all student assistance -- Federal and non-Federal -- for use in the 1975-76 academic year. Non-Federal funds may be used to fill the difference between the amount of need determined through the use of the Federally-approved standard and the amount of need shown on the need analysis documents which ACT and CSS are currently producing. However, the amount of need which can be met with Federal funds from the Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant, College Work-Study, and National Direct Student Loan programs will be limited to the amount of need generated by the Federally-approved levels of parental contributions as described above and elaborated in the enclosed materials. For the Supplemental Educational Opportunity Grant program the expected Federally-approved parental contribution is also the one to be used (in conjunction with the expected student contribution) in determining whether a student has "exceptional financial need."

Please note that the proposed rule makes no change in the professional discretion currently accorded to the financial aid administrator. The financial aid administrator may continue, in individual cases, to adjust the expected family contribution calculated according to one of the approved need analysis systems or methods of calculation where the student financial aid administrator has reason to believe that such an expected family contribution does not realistically reflect the ability of the student and his parents to contribute toward the student's cost of education. In addition, the regulation allowing the institution latitude to have final awards up to $100 more than the determined student financial need will continue to be in effect.

This proposed regulation is being issued at this time for general public comment. There will also be a public hearing at 10:00 a.m. on February 28, 1975, in the HEW Auditorium, 330 Independence Ave., S.W., Washington, D.C. Your presence at the public hearing or your written comments would both be welcome. Written comments should be sent within 30 days of the date of the enclosed notice to Dr. John D. Phillips, Associate Commissioner for Student Assistance, Bureau of Postsecondary Education, Room 4076 ROB, U.S. Office of Education, Washington, D.C. 20202.

We would also like to take this opportunity to inform you that the processing of institutional applications to participate in Federal programs of student financial aid (the "tripartite" application) is proceeding on schedule. We are currently anticipating that grant letters informing you of the amounts of your grants under the Supplemental Educational Opportunity Grant, College Work-Study, and National Direct Student Loan Programs will be mailed on or about March 31, 1975.

Sincerely,

T H Bell
U.S. Commissioner of Education

Enclosure

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Office of Education
[(45 CFR Part 144, Part 175 and Part 176)]
SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM, COLLEGE
WORK-STUDY PROGRAM, AND NATIONAL DIRECT STUDENT
LOAN PROGRAM

FEB 19 1975

Notice of Proposed Rule Making

Notice is hereby given that, pursuant to the authority contained in sections 464, 444, 413B and 413C, of the Higher Education Act of 1965, as amended (20 U.S.C. 1087dd, 42 U.S.C. 2754, and 20 U.S.C. 1070b-1 and 1070b-2), the Commissioner of Education, with the approval of the Secretary of Health, Education, and Welfare, proposes to amend Parts 144, 175 and 176 of Title 45 of the Code of Federal Regulations governing the operation of the National Direct Student Loan (NDSL) Program, the College Work-Study (CWS) Program, and the Supplemental Educational Opportunity Grant (SEOG) Program, respectively. The proposed amendments would provide procedures and standards which the Commissioner would use to review and approve on an annual basis, the various private systems used by institutions of higher education for calculating the expected family contributions for dependent students applying for assistance under these three programs. The proposed amendments would also revise the current regulations regarding the coordination of financial aid programs administered by the Office of Education with other resources available to the student.

1. Review and approval of need analysis systems. Section 413B(a)(2)(C) of the Higher Education Act requires that the Commissioner "prescribe, for the guidance of institutions, basic criteria and schedules for the determination of the amount of need" of students who apply for SEOG awards. Under the existing regulations (45 CFR 176.13), the Commissioner has exercised this statutory responsibility by approving certain, specifically named need analysis systems without specifying any duration for such approval. The same regulation further provides that the Commissioner will approve other systems or methods which produce expected family contribution figures which are comparable to those produced by the named systems, with the duration of such approval again being unspecified. The authorizing legislation for the NDSL and CWS programs permit the Commissioner to adopt similar provisions for these two programs. However, in order to administer the three programs involved herein in the manner best fulfilling their statutory purposes, the Commissioner has now determined that he should review these need analysis systems annually and should, each year, publish a list of those which he has approved for use by institutions during the subsequent year.

The proposed regulation set forth herein would provide the procedures and standards for such annual review and approval. The first element of these standards is merely a check that the method under review produces a comprehensive set of figures and maintains its internal consistency and validity. The second element establishes a set of benchmark figures for expected family contributions, which will be compared with the figures produced by the method or system submitted for approval. This set of figures is derived by referring to the previously approved system which was used by the greatest number of students, at a time when that system produced expected family contribution figures which the Commissioner determined met the statutory purposes of these three programs, and updating the output of that system in accordance with the changes in the Consumer Price Index. The updated figures thus produced become the benchmark by which all systems, including the one being used as the referent, are reviewed and approved. Each year, the Commissioner will make public a set of sample cases, comprised of various combinations of standard family characteristics, and the benchmark expected family contribution for each case. These benchmarks will be based upon updating, in accordance with CPI, and figures produced by the previously approved system used by the greatest number of students. Each need analysis system submitted for approval will be required to demonstrate that its method of calculating expected family contributions produces figures which are within $50 of the benchmark figures for at least 75% of the sample cases. Any system which produces figures within the parameters set forth above will then be approved for use in distributing Federal student assistance. Systems seeking approval will submit their results for the sample cases on or before June 30 and the list of approved systems will be published on or before September 1.

If, following the comment period, this proposed review mechanism is published as a final regulation, it is the Commissioner's intention to implement it immediately, so that it would apply to student aid awards to be used by students during the 1975-76 academic year. Consequently, as soon as a final regulation were to be published, the Commissioner would act as quickly as possible to approve systems and publish a list of approved systems, in order that such systems would be made known on a timely basis for the institutions to make award decisions for the 1975-76 academic period. The benchmark expected family contribution figures for that initial implementation of the review mechanism would be derived by reducing, by 20 percent, the 1974-75 "Expected Parent's Contributions From Adjusted Effective Income" published by the College Scholarship Service.

For the 1976-77 academic year, the normal time frame of system submission and approval would be in effect. That is to say, systems must be submitted by June 30, 1975 in order to appear in the Commissioner's September 1, 1975 list. Such systems would then be used by institutions in preparing their institutional application during the fall of 1975 and making decisions on awarding assistance for use by students during the 1976-77 academic year.

2. Coordination with other student aid resources. The second proposed amendment revises the current regulation for the SEOG program (45 CFR 176.14) regarding the institution's responsibilities for coordinating student aid programs administered by the Commissioner with other resources available to the student -- the regulation commonly referred to as the "over-award provision" -- and adds similar provisions for the NDSL and CWS programs. Under the proposed regulation, institutions would be required to use a need analysis system approved by the Commissioner pursuant to the provisions discussed in paragraph (1) above for determining the total amount of aid which may be awarded to a dependent student under the three programs covered by this notice and the Basic Educational Opportunity Grants Program. However, in determining whether such a student's total aid package (including assistance from sources other than the Federal programs) would result in an over-award, the institutions would be permitted to use other need analysis systems approved by the Commissioner which produce different expected family contribution figures. Thus, by using a different need analysis system for the purpose of resolving the over-award question, the institution may provide more total support to a dependent student than would be the case if the institution were required to use one of the systems approved under the procedures discussed in paragraph (1) above. The list of systems from which an institution may choose for the purpose of determining whether there is an over-award would include any system published by an organization which has had a system approved by the Commissioner for use in making awards to independent students under these three programs.

The use of two levels of parental contribution -- one for determining need for purposes of calculating Federal assistance and a second for determining whether a student has received a total amount of aid in excess of his need -- should be regarded as only an interim measure. Institutions should be advised that it is the intention of the Commissioner to move as expeditiously as possible and in cooperation with concerned parties toward bringing these two levels of expected parental contribution into agreement. This interim measure should not be interpreted as giving approval to a dual standard of need, but merely as recognition of the hardship which might otherwise be experienced by institutions which have already made commitments to students using the measurement of expected family contribution which would, under this proposed regulation, be approved for purposes of determining maximum allowable assistance that may be awarded to a student receiving Federal funds.

3. Independent students. In making awards to independent students under the three programs covered by this notice the institutions would continue to follow the general procedures set forth in the existing regulations.

Public Comment. Interested parties are invited to submit written comments, suggestions or objections regarding these proposed amendments to the regulations to Dr. John D. Phillips, Associate Commissioner for Student Assistance, U.S. Office of Education, DHEW, Room 4076, ROB#3, 7th and D Streets, S.W., Washington, D.C. 20202.

All relevant material received not later than thirty days after the publication of this notice in the Federal Register will be considered. All written comments received in response to this notice will be available for public inspection at the above office on Monday through Friday between 8:30 a.m. and 4:30 p.m.

In addition, in order to provide further opportunity for discussion a public hearing has been scheduled for 10:00 a.m. Friday, February 28, 1975 in the HEW auditorium 330 Independence Avenue, S.W., Washington, D.C. 20201. Persons desiring to present oral comments are requested to notify Dr. John D. Phillips at the above address no later than February 25, 1975.

PART 144 -- NATIONAL DIRECT STUDENT LOAN PROGRAM.

1. Part 144 of Title 45 of the Code of Federal Regulations is amended by adding sections 144.14 and 144.15, which read as follows:

§ 144.14 *Approved need analysis systems.*

(a) In order to comply with the requirements of § 144.7(b) of this part, an institution shall utilize a need analysis system or method of calculation approved by the Commissioner for that purpose pursuant to this section.

(b) *Dependent students.* (1) The Commissioner has approved the following systems for the purpose of § 144.7(b), with respect to dependent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The Income Tax System, if adjusted to reflect the number of the parents' dependent children who are attending institutions of higher education. For purposes of this section, the expected family contribution calculated according to the Income Tax System shall be an amount equal to the amount of Federal income tax paid by the parents of a student, plus 5 percent of such parents' net assets in excess of $10,000 and any amount the student is reasonably able to contribute.

(2) The Commissioner will approve any other need analysis system for the purpose of § 144.7(b), for use with respect to dependent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected parents' contribution figures for dependent students which: (*a*) increase in reasonably smooth increments as the parents' financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) The system must produce expected parents' contribution figures which, for at least 75 percent of a set of sample cases developed and made available by the Commissioner, deviate by less than $50 from the figures produced for such sample cases by decreasing the figures produced by the largest private system (excluding the Income Tax System) approved for use during the current fiscal year by the estimated percent increase in the Consumer Price Index between the December immediately preceding and the December immediately following the submission of the system for approval. In developing the set of sample cases to be made available for this purpose, the Commissioner shall select cases in which: (*a*) the parental income, net of Federal and State income taxes, social security tax and business expenses, is equal in the prior year and the current year; (*b*) parental assets, net of related debt and retirement allowance, are equal in the prior year and the current year; and (*c*) other family and financial circumstances are identical in the prior year and the current year.

(c) *Independent students.* (1) The Commissioner has approved the following systems for the purpose of § 144.7(b), with respect to independent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The system of need analysis published by the American College Testing Service; and

(iii) The system of need analysis published by the College Scholarship Service.

(2) The Commissioner will approve any other need analysis system for the purpose of § 144.7(b), for use with respect to independent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected family contribution figures for independent students which: (a) increase in reasonably smooth increments as the family financial strength, measured in real terms, increases; and (b) are equal for families of equal measured financial strength; and

(ii) The system must produce expected family contribution figures which are comparable to those produced by one of the systems specified in subparagraph (1) of this paragraph.

(d) Application procedures for system approval. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to subparagraph (b)(2) of this section shall submit such system to the Commissioner prior to June 30 of each year. Such submission shall consist of sufficient information to enable the Commissioner to determine that the system meets the criteria set forth in that subparagraph, including the expected family contribution figures produced by the system for the sample cases developed and made available by the Commissioner. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to subparagraph (c)(2) of this section shall, prior to June 30 of any year, submit to the Commissioner sufficient information to enable him to determine that the system meets the criteria set forth in that subparagraph. On or before September 1 of each year, the Commissioner will publish in the Federal Register a list of all need analysis systems or methods of calculation which have been approved for use in the succeeding academic year.

(e) Duration of approval. Need analysis systems approved pursuant to subparagraphs (b)(1) and (c)(1) of this section are approved without a specific expiration date. A need analysis system approved pursuant to subparagraph (b)(2) of this section, and included on the list published by the Commissioner on or before September 1 of one year, may be used by an institution (i) in preparing its application for funds under this part which is to be submitted on or before the published closing date next following that September 1; and (ii) in determining the eligibility of students for loans under this part, and in calculating the amount of such loans, to be used by the students during any academic year commencing not earlier than 10 months and not later than 22 months following that September 1. A need analysis system approved pursuant to subparagraph (c)(2) of this section shall be approved for an indefinite period of time, but the Commissioner may request periodic confirmation that the system remains in compliance with the criteria set forth in that subparagraph.

(f) Adjustments. The institution may, in an individual case, further adjust the expected family contribution calculated according to one of the need analysis systems approved pursuant to this section if the student financial aid officer of the institution has reason to believe that such expected family contribution does not realistically reflect the ability of the student and his parents to contribute towards the student's cost of education. Such adjustments shall be documented in writing, with an accompanying explanation, and made a part of the institution's records with respect to this part. (20 U.S.C. 1087dd)

§ 144.15 Coordination of student financial aid programs and overaward.

(a) The institution shall appoint an official who shall have the responsibility of coordinating the program covered by this part with the institution's other Federal and non-Federal programs of student financial aid.

(b) Dependent students. (1) The institution shall not award a loan under this part to a dependent student in an amount which, when combined with awards made to such student under the Basic Educational Opportunity Grants Program, the Supplemental Educational Opportunity Grants Program, and the College Work-Study Program, would exceed the difference between the student's cost of education at the institution and his expected family contribution, as determined in accordance with a need analysis system or method of calculation approved by the Commissioner pursuant to § 144.14(b).

(2) The institution shall not award a loan under this part to a dependent student which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with a need analysis system published by an organization which has a need analysis system currently approved by the Commissioner pursuant to § 144.14(c) for use in determining the expected family contributions of independent students; provided, however, that in no event may the total amount of aid received from all Federal and non-Federal resources exceed the student's cost of education.

(c) Independent students. The institution shall not award a loan under this part to an independent student in an amount which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with one of the need analysis systems or methods of calculations approved by the Commissioner pursuant to § 144.14(c); provided, however, that in no event may the total amount of aid received from all Federal and non-Federal resources exceed the student's cost of education.

(d) Resources. For purposes of subparagraph (b)(2) and paragraph (c) of this section, the term "resources made available to the student from Federal and non-Federal sources" includes any waiver of tuition and fees, any scholarship or grant-in-aid including athletic scholarships, any fellowship or assistantship, any loan made under the Guaranteed Student Loan Program (Title IV-B of the Higher Education Act) except in cases in which paragraph (e) of this section applies, any long-term loan made by the institution other than under the Guaranteed Student Loan Program, and any expected net earnings from employment during periods for which the student receives a loan under this part. For purposes of this section, "net earnings" means gross earnings minus required withholdings and any costs incidental to obtaining such earnings.

(e)(1) Except as provided in subparagraph (2) of this paragraph, loans made under the Guaranteed Student Loan Program shall not be considered to be a student resource and may be used to satisfy the expected family contribution of the borrower calculated in accordance with § 144.14. If the amount of such a loan exceeds the borrower's expected family contribution, only such excess shall be considered a student resource.

(2) Loans for which interest benefits are payable under section 428 of Title IV-B of the Higher Education Act (20 U.S.C. 1078) shall be considered a student resource and may not be used to satisfy a student's expected family contribution in cases in which the borrower has an adjusted family income of more than $15,000, as determined in accordance with applicable Guaranteed Student Loan Program Regulations (45 CFR Part 177), or in cases in which the amount of the loan would cause the total amount of the borrower's loans insured by the Commissioner, or by a State or nonprofit private institution having an agreement with the Commissioner under section 428(b) of the Higher Education Act (20 U.S.C. 1078(b)), to exceed $2,000 for that academic year.

(f) The institution's responsibility under subparagraph (b)(2) and paragraph (c) of this section shall extend only to those resources which the institution itself makes available to the student, or about which it knows or has reason to know, or can reasonably anticipate at the time that the proceeds of the loan made under this part are disbursed to the student. The amount of net earnings from any employment provided by the institution for any academic period covered by the loan under this part shall be deemed to have been known by the institution at the time of the disbursement of such loan. However, an institution will not be deemed to have violated the requirements of this section if the sum of all the resources made available to the student, including a loan under this part, exceeded that student's need by not more than $100.

(20 U.S.C. 1087dd)

PART 175 -- COLLEGE WORK-STUDY PROGRAM

2. Part 175 of Title 45 of the Code of Federal Regulations is amended by adding sections 175.17 and 175.18, which read as follows:

§ 175.17 Approved need analysis systems.

(a) In order to comply with the requirements of § 175.5(c) of this part, an institution shall utilize a need analysis system or method of calculation approved by the Commissioner for that purpose pursuant to this section.

(b) Dependent students. (1) The Commissioner has approved the following systems for the purpose of § 175.5(c), with respect to dependent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The Income Tax System, if adjusted to reflect the number of the parents' dependent children who are attending institutions of higher education. For purposes of this section, the expected family contribution calculated according to the Income Tax System shall be an amount equal to the amount of Federal income tax paid by the parents of a student, plus 5 percent of such parents' net assets in excess of $10,000 and any amount the student is reasonably able to contribute.

(2) The Commissioner will approve any other need analysis system for the purpose of § 175.5(c), for use with respect to dependent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected parents' contribution figures for dependent students which: (a) increase in reasonable smooth increments as the parents' financial strength, measured in real terms, increases; and (b) are equal for families of equal measured financial strength; and

(ii) The system must produce expected parents' contribution figures which, for at least 75 percent of a set of sample cases developed and made available by the Commissioner, deviate by less than $50 from the figures produced for such sample cases by decreasing the figures produced by the largest private system (excluding the Income Tax System) approved for use during the current fiscal year by the estimated percent increase in the Consumer Price Index between the December immediately preceding and the December immediately following the submission of the system for approval. In developing the set of sample cases to be made available for this purpose, the Commissioner shall select cases in which: (a) the parental income, net Federal and State income taxes, social security tax and business expenses, are equal in the prior year and the current year; (b) parental assets, net of related debt and retirement allowance, are equal in the prior year and the current year; and (c) other family and financial circumstances are identical in the prior year and the current year.

(c) Independent students. (1) The Commissioner has approved the following systems for the purpose of § 175.5(c), with respect to independent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190);

(ii) The system of need analysis published by the American College Testing Service; and

(iii) The system of need analysis published by the College Scholarship Service.

(2) The Commissioner will approve any other need analysis system for the purpose of § 175.5(c), for use with respect to independent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected family contribution figures for independent students which: (a) increase in reasonably smooth increments as the family financial strength, measured in real terms, increases; and (b) are equal for families of equal measured financial strength; and

(ii) the system must produce expected family contribution figures which are comparable to those produced by one of the systems specified in subparagraph (1) of this paragraph.

(d) Application procedures for system approval. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to subparagraph (b) (2) of this section shall submit such system to the Commissioner prior to June 30 of each year. Such submissions shall consist of sufficient information to enable the Commissioner to determine that the system meets the criteria set forth in that subparagraph, including the expected family contribution figures produced by the system for the sample cases developed and made available by the Commissioner. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to subparagraph (c) (2) of this section shall, prior to June 30 of any year, submit to the Commissioner sufficient information to enable him to determine that the system meets the criteria set forth in that subparagraph on or before September 1 of each year, the Commissioner will publish in the *Federal Register* a list of all need analysis systems or methods of calculation which have been approved for use in the succeeding academic year.

(e) Duration of approval. Need analysis systems approved pursuant to subparagraphs (b) (1) and (c) (1) of this section are approved without a specified expiration date. A need analysis system approved pursuant to subparagraph (b) (2) of this section, and included on the list published by the Commissioner on or before September 1 of one year, may be used by an institution (i) preparing its application for funds under this part which is to be submitted on or before the published closing date next following that September 1; and (ii) in determing the eligibility of students for employment under this part and in calculating the amount of such employment to be made available to a student during any academic year commencing not earlier than 10 months and not later then 22 months following that September 1. A need analysis system approved pursuant to subparagraph (c) (2) of this section shall be approved for an indefinite period of time, but the Commissioner may request periodic confirmation that the system remains in compliance with the criteria set forth in that subparagraph.

(f) Adjustments. The institution may, in an individual case, further adjust the expected family contribution calculated according to one of the need analysis systems approved pursuant to this section if the student financial aid officer of the institution has reason to believe that such expected family contribution does not realistically reflect the ability of the student and his parents to contribute towards the student's cost of education. Such adjustments shall be documented in writing, with an accompanying explanation, and made a part of the institution's records with respect to this part. (42 U.S.C. 2754)

§ 175.18 Coordination of student financial aid programs and over-award.

(a) The institution shall appoint an official who shall have the responsibility of coordinating the program covered by this part with the institution's other Federal and non-Federal programs of student financial aid.

(b) Dependent students. (1) The institution shall not award assistance under this part to a dependent student in the amount which, when combined with awards made to such student under the Basic Educational Opportunity Grants Program, the Supplemental Educational Opportunity Grants Program, and the National Direct Student Loan Program, would exceed the difference between the student's cost of education at the institution and his expected family contribution, as determined in accordance with a need analysis system or method of calculation approved by the Commissioner pursuant to § 175.17(b).

(2) The institution shall not award assistance under this part to a dependent student which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's costs of education and his expected family contribution, as determined in accordance with a need analysis system published by an organization which has a need analysis system currently approved by the Commissioner pursuant to § 175.17(c) for use in determining the expected family contributions of independent students; provided, however, that in no event may the total amount of aid received from all Federal and non-Federal resources exceed the student's cost of education.

(c) Independent students. The institution shall not award assistance under this part to an independent student in an amount which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with one of the need analysis systems or methods of calculations approved by the Commissioner pursuant to § 175.17(c); provided, however, that in no event may the total amount of aid received from all Federal and non-Federal resources exceed the student's cost of education.

(d) Resources. For purposes of subparagraph (b) (2) and paragraph (c) of this section, the term "resources made available to the student from Federal and non-Federal sources" includes any waiver of tuition and fees, any scholarship or grant-in-aid including athletic scholarships, any fellowship or assistantship, any loan made under the Guaranteed Student Loan Program (Title IV-B of the Higher Education Act) except in cases in which paragraph (e) of this section applies, any long-term loan made by the institution other than under the Guaranteed Student Loan Program, and any expected net earnings from employment during periods for which the student receives assistance under this part. For purposes of this section, "net earnings" means gross earnings minus required withholdings and any costs incidental to obtaining such earnings.

(e) (1) Except as provided in subparagraph (2) of this paragraph, loans made under the Guaranteed Student Loan Program shall not be considered to be a student resource and may be used to satisfy the expected family contribution of the borrower calculated in accordance with § 175.17. If the amount of such a loan exceeds the borrower's expected family contribution, only such excess shall be considered a student resource.

(2) Loans for which interest benefits are payable under section 428 of Title IV-B of the Higher Education Act (20 U.S.C. 1078) shall be considered a student resource and may not be used to satisfy a student's expected family contribution in cases in which the borrower has an adjusted family income of more than $15,000, as determined in accordance with applicable Guaranteed Student Loan Program Regulations (45 CFR Part 177), or in cases in which the amount of the loan would cause the total amount of the borrower's loan insured by the Commissioner, or by a State or nonprofit private institution having an agreement with the Commissioner under section 428(b) of the Higher Education Act (20 U.S.C. 1078(b)), to exceed $2,000 for the academic year.

(f) The institution's responsibility under subparagraph (b) (2) and paragraph (c) of this section shall extend only to those resources which the institution itself makes available to the student, or about which it knows or has reason to know, or can reasonably anticipate at the time that the assistance under this part is disbursed to the student. The amount of net earnings from any employment provided by the institution for any academic period during which the student is receiving assistance under this part shall be deemed to have been known by the institution at the time of the disbursement of such assistance. However, an institution will not be deemed to have violated the requirements of this section if the sum of all the resources made available to the student, including assistance under this part, exceeded that student's need by not more than $100. (42 U.S.C. 2754)

PART 176 -- SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

3. Sections 176.13 and 176.14 of Title 45 of the Code of Federal Regulations are amended to read as follows:

§176.13 Approved need analysis systems.

(a) In order to comply with the requirements of §176.12 of this part, an institution shall utilize a need analysis system or method of calculation approved by the Commissioner for that purpose pursuant to this section.

(b) Dependent students. (1) The Commissioner has approved the following systems for the purpose of §176.12(a):

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The Income Tax System, if adjusted to reflect the number of the parents' dependent children who are attending institutions of higher education. For purposes of this section, the expected family contribution calculated according to the Income Tax System shall be an amount equal to the amount of Federal income tax paid by the parents of a student, plus 5 percent of such parents' net assets in excess of $10,000 and any amount the student is reasonably able to contribute.

(2) The Commissioner will approve any other need analysis system for the purpose of § 176.12(a) which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected parents' contribution figures for dependent students which: (*a*) increase in reasonably smooth increments as the parents' financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) The system must produce expected parents' contribution figures which, for at least 75 percent of a set of sample cases developed and made available by the Commissioner, deviate by less than $50 from the figures produced for such sample cases by decreasing the figures produced by the largest private system (excluding the Income Tax System) approved for use during the current fiscal year by the estimated percent increase in the Consumer Price Index between the December immediately preceding and the December immediately following the submission of the system for approval. In developing the set of sample cases to be made available for this purpose, the Commissioner shall select cases in which: (a) the parental income, net of Federal and State income taxes, social security tax and business expenses, are equal in the prior year and the current year; (b) parental assets, net of related debt and retirement allowance, are equal in the prior year and the current year; and (c) other family and financial circumstances are identical in the prior year and the current year.

(c) Independent students. (1) The Commissioner has approved the following systems for the purpose of § 176.12(b) with respect to independent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190);

(ii) The system of need analysis published by the American College Testing Service; and

(iii) The system of need analysis published by the College Scholarship Service.

(2) The Commissioner will approve any other need analysis system for the purpose of §176.12(b) for use with respect to independent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected family contribution figures for independent students which: (a) increase in reasonably smooth increments as the family financial strength, measured in real terms, increases; and (b) are equal for families of equal measured financial strength; and

(ii) The system must produce expected family contribution figures which are comparable to those produced by one of the systems specified in subparagraph (1) of this paragraph.

(d) Application procedures for system approval. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to subparagraph (b) (2) of this section shall submit such system to the Commissioner prior to June 30 of each year. Such submission shall consist of sufficient information to enable the Commissioner to determine that the system meets the criteria set forth in that subparagraph, including the expected family contribution figures produced by the system for the sample cases developed and made available by the Commissioner. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to subparagraph (c)(2) of this section shall, prior to June 30 of any year, submit to the Commissioner sufficient information to enable him to determine that the system meets the criteria set forth in that subparagraph. On or before September 1 of each year, the Commissioner will publish in the Federal Register a list of all need analysis systems or methods of calculation which have been approved for use in the succeeding academic year.

(e) Duration of approval. Need analysis systems approved pursuant to subparagraphs (b) (1) and (c) (1) of this section are approved without a specified expiration date. A need analysis system approved pursuant to subparagraph (b) (2) of this section, and included on the list published by the Commissioner on or before September 1 of one year, may be used by an institution (i) in preparing its application for funds under this part which is to be submitted on or before the published closing date next following that September 1; and (ii) in determining the eligibility of students for awards under this part, and in calculating the amount of such awards, to be used by the students during any academic year commencing not earlier than 10 months and not later than 22 months following that September 1. A need analysis system approved pursuant to subparagraph (c) (2) of this section shall be approved for an indefinite period of time, but the Commissioner may request periodic confirmation that the system remains in compliance with the criteria set forth in that subparagraph.

(f) Adjustments. The institution may, in an individual case, further adjust the expected family contribution calculated according to one of the need analysis systems approved pursuant to this section if the student financial aid officer of the institution has reason to believe that such expected family contribution does not realistically reflect the ability of the student and his parents to contribute towards the student's cost of education. Such adjustments shall be documented in writing, with an accompanying explanation, and made a part of the institution's records with respect to this part.
(20 U.S.C. 1070b-1 and 1070b-2)

§176.14 Coordination of student financial aid programs and over-award.

(a) The institution shall appoint an official who shall have the responsibility of coordinating the program covered by this part with the institution's other Federal and non-Federal programs of student financial aid.

(b) Dependent students. (1) The institution shall not award a Supplemental Grant to a dependent student in the amount which, when combined with awards made to such student under the Basic Educational Opportunity Grants Program, the College Work-Study Program, and the National Direct Student Loan Program, would exceed the difference between the student's cost of education at the institution and his expected family contribution, as determined in accordance with a need analysis system or method of calculation approved by the Commissioner pursuant to §176.13(b).

(2) The institution shall not award a Supplemental Grant to a dependent student which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with a need analysis system published by an organization which has a need analysis system currently approved by the Commissioner pursuant to §176.13(c) for use in determining the expected family contributions of independent students; provided, however, that in no event may the total amount of aid received from all Federal and non-Federal resources exceed the student's cost of education.

(c) Independent students. The institution shall not award a Supplemental Grant to an independent student in an amount which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with one of the need analysis systems or methods of calculations approved by the Commissioner pursuant to §176.13(c); provided, however, that in no event may the total amount of aid received from all Federal and non-Federal resources exceed the student's cost of education.

(d) Resources. For purposes of subparagraph (b) (2) and paragraph (c) of this section, the term "resources made available to the student from Federal and non-Federal sources" includes any waiver of tuition and fees, any scholarship or grant-in-aid including athletic scholarships, any fellowship or assistantship, any loan made under the Guaranteed Student Loan Program (Title IV-B of the Higher Education Act) except in cases in which paragraph (e) of this section applies, any long-term loan made by the institution other than under the Guaranteed Student Loan Program, and any expected net earnings from employment during periods for which the student receives a grant. For purposes of this section, "net earnings" means gross earnings minus required withholdings and any costs incidental to obtaining such earnings.

(e) (1) Except as provided in subparagraph (2) of this paragraph, loans made under the Guaranteed Student Loan Program shall not be considered to be a student resource and may be used to satisfy the expected family contribution of the borrower calculated in accordance with §176.13. If the amount of such a loan exceeds the borrower's expected family contribution, only such excess shall be considered a student resource.

(2) Loans for which interest benefits are payable under section 428 of Title IV-B of the Higher Education Act (20 U.S.C. 1078) shall be considered a student resource and may not be used to satisfy a student's expected family contribution in cases in which the borrower has an adjusted family income of more than $15,000, as determined in accordance with applicable Guaranteed Student Loan Program Regulations (45 CFR Part 177), or in cases in which the amount of the loan would cause the total amount of the borrower's loans insured by the Commissioner, or by a State or nonprofit private institution having an agreement with the Commissioner under section 428(b) of the Higher Education Act (20 U.S.C. 1078(b)), to exceed $2,000 for that academic year.

(f) The institution's responsibility under subparagraph (b) (2) and paragraph (c) of this section shall extend only to those resources which the institution itself makes available to the student, or about which it knows or has reason to know, or can reasonably anticipate at the time that the Supplemental Grant is disbursed to the student. The amount of net earnings from any employment provided by the institution for any academic period covered by the grant award shall be deemed to have been known by the institution at the disbursement of such grant. However, an institution will not be deemed to have violated the requirements of this section if the sum of all the resources made available to the student, including a grant under this part, exceeded that student's need by not more than $100.
(20 U.S.C. 1070b-1 and 1070b-2)

Mr. O'Hara. I would like now to introduce to the members of the subcommittee the Honorable Terrel H. Bell, Commissioner of Education, who will be our first witness.

STATEMENT OF THE HONORABLE TERREL H. BELL, COMMISSIONER OF EDUCATION

Mr. Bell. Mr. Chairman, I am presenting a summary of a much longer statement which I would like to submit for the record.

Mr. O'Hara. Without objection, your longer statement will be entered in full in the record.

[Statement referred to follows:]

Prepared Statement of Hon. T. H. Bell, U.S. Commissioner of Education, Department of Health, Education, and Welfare

Mr Chairman and Members of the Subcommittee: About seventeen months ago, on October 15, 1973, representatives of the two major private need analysis systems, the Basic Grant system and the National Association of Financial Aid Administrators participated in a panel discussion of need analysis before your committee. At the outset of that discussion, you suggested that "Need analysis is currently under something of a cloud," but that before your committee could determine whether need analysis was getting a bum rap or was guilty as charged "we ought to know what need analysis is and what it claims to be able to measure."[1]

The panelists endeavored to answer those questions for the benefit of your committee by providing a comparative analysis of results obtained under the American College Testing Program, College Scholarship Service, and BEOG systems for a series of cases supplied by your committee.

By way of background, one of the CSS spokesmen traced the history of need analysis from its inception in the early 1950's, and noted the critical turning point in 1964, when CSS began "to look for an economic rationale that would make sense as a real measure of 'ability' to pay rather than willingness to pay for collegiate expenses." [2] Another CSS spokesman followed with the statement that "* * * essentially since 1964, and most particularly as we move into more and more funds coming from the public sector, we have been trying to measure what families ought to be able to contribute toward post-secondary education * * * " [3] The ACT spokesmen indicated their agreement with this definition of the fundamental goal of need analysis, "that is in some manner arriving at a reasonable estimate of what a family can afford to contribute to their son's or daughter's postsecondary education, a reasonable estimate." [4] The notion of need analysis as a tool to produce a reasonable estimate of parental *ability* to pay was also warmly endorsed by the NASFAA spokesmen on the panel, and their testimony included this rather penetrating statement:

"First of all we have to operate under the assumption, I think, that these need analysis systems are deriving results that are congruent with the family's ability to pay for post-secondary education. To base them on their willingness would really provide a differential result that I think would be very difficult to justify, in that families with different priorities on their resources would qualify themselves for considerable additional subsidies simply by indicating unwillingness to support in relation to their capacity to do so, and we would find those families who are willing to make a lot of sacrifice in order to provide post-secondary education being discriminated against at the expense of those people who want to get off as easily as they can, so we feel that it is necessary to base it upon ability to contribute as opposed to willingness." [5]

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[1] Statement of Congressman James G. O'Hara, "Theory and Practice of Need Analysis," *Hearings* before the Special Subcommittee on Education of the Committee on Education and Labor, House of Representatives, Ninety-Third Congress, First Session, Part I (October 15, 1973), p. 1.

[2] Statement of James E. Nelson, Vice President for Financing Higher Education, College Entrance Examination Board, *ibid.*, p. 10.

[3] Statement of James L. Vowman, Area Director for Financial Aid Studies, College Entrance Examination Board, *ibid.*, p. 11.

[4] Statement of Joe B. Henry, Director of Financial Aid Services, American College Testing Program, *ibid.*, p. 7-8.

[5] Statement of Richard L. Tombaugh, Executive Secretary, National Association of Student Financial Aid Administrators, *ibid.*, p. 13.

At the same time it must be pointed out that the **NASFAA** panelists were also sensitive to the notion that "determining the family's ability to pay * * * is a judgment factor, and is not related to firmly accepted mathematical formula. * * *" They noted that "when the results that come out of our computer in general are palatable for families of different income levels we have a program that will be accepted, and when too large a percentage of our families find that result not palatable then maybe our judgments have gotten a little away from the trend of the times." However, in the effort to reconcile the competing demands of "ability" and "palatability," the **NASFAA** spokesmen noted that "the largest part of funds now dedicated specifically to meeting student financial need comes from the taxpayer's dollar and, therefore, we do indeed need to have procedures that give a fairly uniform treatment."[6] Following up on this statement, one of the CSS spokesmen made this observation:

"It is true that the expectations from families in the need analysis systems are affected by the way families perceive those very expectations. What will the traffic bear. Willingness to pay has always come into play. As the expectations have changed in a particular year we hear from aid officers, that indeed a proposed change will or will not be borne by the traffic and there have been adjustments in past years resulting from perceptions of family willingness to contribute."[7]

A little later on in the panel discussion, the question arose as to just how the major private need analysis systems go about reconciling the differing demands of "ability to pay" and "willingness to pay," when one of the **NASFAA** spokesmen said: "I get a feeling here that we have been caught in an era of very rapidly increasing inflation which has left our tables 18 to 36 months behind. Now is this correct or not?"[8] The response from one of the CSS spokesmen was "It is not correct. * * * We update every year on the basis of Consumer Price Index. The difference between 1973–74 and 1974–75 represents that updating for CPI." To which another CSS spokesman added "And this has been our procedure for 6 years."[9]

In other words, the representatives of the major private need analysis services clearly indicated that the reconciliation of "ability" and "palatability" was accomplished by updating for changes in the Consumer Price Index, and that this procedure had been followed in each of the past six years. At no time did any of the spokesmen for ACT, CSS or **NASFAA** indicate any other major changes in need analysis that might be in the offing for 1975–76, or even under consideration. In fact, in the closing moments of the panel discussion, one of the CSS spokesmen pointed out that "The plight of the middle class is real and heart felt, but still their plight is extremely different from the plight of people who have never reached middle class status." Amplifying further on that theme, the CSS spokesman added:

"I am speaking only for myself, not for the CSSB (sic) but I think that as long as we are in a time of fiscal constraint, we should put subsidies where they have a chance of changing behaviors. We can ease the burden through loans and subsidies for families whose children very clearly enter some form of post-secondary education. We still have a great deal of unfinished business in terms of access to higher education for large segments of the population whose dilemma is not where to learn, but whether to learn."[10]

Mr. Chairman, I come before you this morning to indicate that the U.S. Office of Education still fully and completely subscribes to the agreements about the theory and practice of need analysis which were laid before your committee seventeen months ago. We believe that the purpose of need analysis is and should be to provide families and financial aid administrators with a reasonable estimate of ability to pay. We recognize and accept the fact that those estimates must be regularly updated for changes in the Consumer Price Index (CPI) in order to maintain acceptability with all parties concerned. And we agree most emphatically with the statement that in approaching the question of adjusting need analysis standards, we must always bear in mind the plain fact that "we still have a great deal of unfinished business in terms of access to higher education for large segments of the population whose dilemma is not where to learn, but whether to learn."

Viewed from this perspective, Mr. Chairman, I am sure you can understand our concern when, on August 15, 1974, we received a general-circulation announcement from the College Scholarship Service which set forth very dramatic changes in its need analysis system for 1975–76, changes which had been made, "in response to strongly voiced concerns of parents, students, and the CSS constituency regarding the expected parental ability to pay for postsecondary education in the face of a continuing inflationary economy." [11]

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[6] Statement of Norman E. Beck, Director of Financial Aid, Ball State University, *Ibid.*, p. 14–15.

[7] Statement of James E. Nelson, *Ibid.*, p. 21.

[8] Statement of Allan W. Purdy, Director of Financial Aid, University Missouri at Columbia, *Ibid.*, p. 26.

[9] Statements of James L. Bowman and James E. Nelson, *Ibid.*, p. 28.

[10] Statement of Lois D. Rice, Vice President, College Entrance Examination Board, *Ibid.*, p. 30–31.

The magnitude of the changes in amount of expected parental contribution announced by CSS last August far exceeded the amount of change which would have been predictable from the testimony before your subcommittee seventeen months ago. There was a change in base year involved. That change resulted from updating for anticipated CPI changes through December of 1974, rather than February of 1974. That updating, by itself, would have resulted in a decrease of approximately 20 percent in expected parental contributions (based upon changes in CPI), which would have been acceptable to the Office of Education. However, that updating was accompanied by major additional changes in the system. Those changes produced such a great additional drop in expected parental contributions that we considered them a violation of the implicit understandings according to which CSS had been recognized as an approved need analysis system for purposes of Federal programs of student financial aid.

The timing of the announcement of the new expectation rates had potentially grave implications for the distribution of Federal funds among the institutions of higher education which participate in the three "campus-based" programs of Student Financial Aid—Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans. It came at the time that the Office of Education was mailing to postsecondary institutions the application forms which they needed to apply for funds for academic year 1975–76, and preceded by approximately 2 months the application closing date. ACT had not yet announced the changes it intended to make and did not do so until the application closing date had passed. Therefore, the amount of need measurable for the students at a given institution under the CSS system would have been demonstrably and significantly greater at that time, as shown on the application form, than the need of those same students as measured under the ACT system.

An institution which names either service as its prime source of need analysis receives from that service various summary reports respecting the need analysis it has performed for students attending that institution. Those reports display data in a form useful to the institution in preparing its application for funds. Because of the dramatic changes in the CSS system, institutions participating in CSS were in a position to demonstrate a much greater increase in need among a given group of students than could a user of ACT with respect to the same group of students. This inequitable result was prevented by the November 13, 1974, publication in the *Federal Register* of additional funding criteria for evaluating institutional applications to participate in the campus-based programs. The Office of Education requested and received technical assistance from staff of ACT, CSS and NASFAA in the publication of those criteria and in the preparation of the tables used by the regional review panels in evaluating applications. We wish the record to show, however, that the advice and consultation which were given freely and generously at our request did not constitute organizational approval of our action by any one of those three organizations.

The publication of the additional funding criteria was never seen as the complete solution to the problems raised by the major system changes which CSS announced last August. Those problems arise from allowing private organizations to have unfettered discretion in establishing eligibility for the receipt of Federal funds, as was done up to and following the time of the last hearings on need analysis before this subcommittee 17 months ago. Although ACT and CSS were previously named in program guidelines as acceptable systems of need analysis, there was no provision for any system to seek official consultation with the Commissioner about proposed system changes.

During the time that applications were being received from the institutions and reviewed by the Office of Education, extensive conversations were going on about ways and means to prevent the need for another emergency issuance of additional funding criteria for reviewing applications in any subsequent year.

In addition, the Office of Education was continuing to negotiate with the systems as late as January 23, 1975 in an effort to seek some reconciliation between the services and OE in the treatment of individual student need analysis.

The issues involved in these questions of need analysis are many. The ways in which they are raised and answered have profound implications for public policy concerning the distribution to students of Federal student financial aid funds. During its development of the proposed rule which was published in the *Federal Register* on February 19, the Office of Education considered at length such alternative possibilities as the establishment of preferential criteria for the guidance of institutions in choosing among the pool of eligible students. In CWS there is a statutory preference for students with the greatest financial need, taking into account grant aid from any public or private source. It was suggested that, rather than regulating the process of need analysis, the Office of Education could establish for SEOG and NDSL selection criteria analogous to the statutory preference accorded to students with the greatest financial need under the College Work-Study Program. It was, however, decided that such selection criteria do not address the issue at hand, which is the continued non-regulation of privately-determined eligiblity for the receipt of Federal funds.

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[11] "Dear Colleague" letter from the College Scholarship Service, College Entrance Examination Board, August 15, 1974, p. 1.

It was also suggested by one or more of the private groups consulted by the Office of Education during the period preceding the publication of the proposed rule that it would be preferable for the Office of Education to establish program eligibility criteria similar to the $9,000 gross income cutoff point used for the old EOG program, rather than regulating the process of need analysis. It was, however, decided that the legislative history of the Education Amendments of 1972 would clearly preclude any such step, even if it were thought desirable by the Office of Education, which was not the case.

An additional alternative which was rejected very early in the discussions, even though there would be statutory authority for it, was the complete replacement of ACT and CSS for Federal purposes by a system prescribed in detail by regulation. The alternative finally adopted is not a need analysis system, but it does provide for annual review and approval by the Commissioner of any private need analysis system (except the income tax system) used for the distribution of Federal funds.

Under the proposed rule as finally formulated and published in the *Federal Register* on Febuary 19, the existing private need analysis services could continue to exercise a considerable degree of autonomy and reflect differing value judgments, but that latitude would not be unlimited, as was previously the case. The requirement that a system produce results within $50 of benchmark results established on the basis of a set of benchmark cases limits the latitude of the private systems, but the limitation of that requirement to cover only 75 percent of the benchmark cases means that the private systems can vary considerably from each other with respect to differing value judgments.

As one example of what would be permissible under the proposed rule, I would like to direct your attention to the graph shown as Figure I.

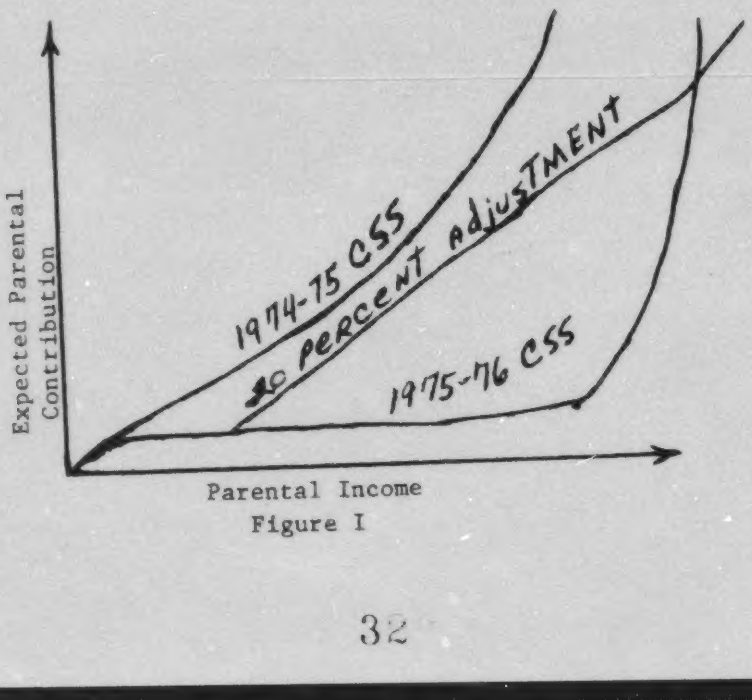

Figure I

Figure I shows the result of one value judgment made by CSS in revising its expectations last August. That value judgment was that the amount of decrease in expected parental contribution should be held to an absolute dollar maximum, regardless of income. As a result of that value judgment, the amount of expected contribution under the 1975–76 CSS curves is greater at the upper income ranges than would be the amount expected under the proposed rule, which provides for acceptance of an adjustment at all income levels based on inflation.

Copies of the proposed rule have been furnished to the Congress, institutions of higher education, and other interested parties. That document was sent to the institutions under a transmittal letter which summarized and explained the impact of the proposed rule. I would like to quote from that letter:

The proposed rule contains three major components, as follows:

1. In order to provide for review of future modifications in private need analysis systems used to distribute Federal funds, the proposed rule would institute an annual review cycle. Under the proposed rule, any person or agency desiring approval of a need analysis system for use in awarding Federal funds must submit that system to the Commissioner on or before June 30 of each year. Approval will be given if that system produces results within $50 of established benchmark figures in at least 75 percent of a set of sample cases. The benchmark figures will be those of the approved system used by the largest number of students in the prior year, and the set of sample cases will be published annually.

This rule does not establish a Federal need analysis system, but rather accepts the need analysis methodology and rationale developed by private parties, provided that they meet standards of comparability set forth in the regulations.

2. In order to deal with the immediate problem of distribution of financial aid awards to students for use in 1975–76, the review and approval process will become effective after final publication of the proposed rule.

The approximately 200 benchmark figures which will apply to the awarding of Federal funds to individual students for academic year 1975–76 will be taken from the expected parental contributions derived from the table (Table E) published by the College Scholarship Service (CSS) for determining expected parental contributions and awards for use in the current 1974–75 academic year, reduced by 20 percent to account for changes in the cost-price index published by the Bureau of Labor Statistics. It is in terms of this standard that the major private systems would be seeking Federal recognition under the proposed rule and would be assisting your institution in the awarding of Federal student aid funds.

3. In order to accommodate institutions which are currently engaged in the award cycle for academic year 1975–76, and recognizing that such awards are, in many cases, based upon the need analysis results already furnished to them by either of the two major private systems of need analysis—CSS and the American College Testing Program (ACT), the proposed rule permits the limited use of such need analysis results to set the outside limit of all student assistance—Federal and non-Federal—for use in the 1975–76 academic year. Non-Federal funds may be used to fill the difference between the amount of need determined through the use of the Federally-approved standard and the amount of need shown on the need analysis documents which ACT and CSS are currently producing. However, the amount of need which can be met with Federal funds from the Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant, College Work-Study, and National Direct Student Loan programs will be limited to the amount of need generated by the Federally-approved levels of parental contributions as described above and elaborated in the enclosed materials. For the Supplemental Educational Opportunity Grant program the expected Federally-approved parental contribution is also the one to be used (in conjunction with the expected student contribution) in determining whether a student has "exceptional financial need."

Please note that the proposed rule makes no change in the professional discretion currently accorded to the financial aid administrator. The financial aid administrator may continue, in individual cases, to adjust the expected family contribution calculated according to one of the approved need analysis systems or methods of calculation where the student financial aid administrator has reason to believe that such an expected family contribution does not realistically reflect the ability of the student and his parents to contribute toward the student's cost of education. In addition, the regulation allowing the institution latitude to have final awards up to $100 more than the determined student financial need will continue to be in effect.

There was a public hearing on the proposed rule on February 28. At that hearing, and to this date, very few reservations have been expressed concerning the substantive merits of the proposed rule. Unless such comments of a persuasive nature are raised, we propose to move as expeditiously as possible to publication of the final rule, which we would hope to accomplish by the end of this month. This would provide institutions with the guidance necessary to allow them to comply with the changes made by the rule.

We would be less than candid if we did not note that many objections were raised about the administrative inconvenience which would be caused by the timetable for issuance of this rule. Considering the critical importance of the issues involved, we do not find this argument of administrative inconvenience to be persuasive.

Acceptance of this argument would lead to the conclusion that an inequitable distribution of Federal funds is to be preferred to the inconvenience of those charged with the responsibility for administering it. We would suggest to you that neither the Congress nor the Executive Branch would be likely to consider administrative inconvenience as an acceptable basis to guide the stewardship of Federal funds.

This is not to say that administrative inconvenience has been totally ignored in the formulation of the proposed rule. Quite to the contrary. The proposed rule has been formulated in such a fashion as to have the least possible impact on any aid packages that may have been constructed before its issuance, as mentioned in point 3 above.

An additional step which could be taken to minimize the amount of inconvenience caused to institutional aid administrators by the issuance of such a rule would be for the private need analysis services to begin informing their clients at the earliest possible date of the amount of need which would be calculated according to the proposed rule. I have written a letter to the Presidents of ACT and CEEB (the parent organization of CSS) requesting that this action be taken at the earliest possible date.

If this advice were followed, those institutions which have already constructed their aid packages would be assisted in their attempts to verify whether those package are acceptable under the proposed rule, as many or most of them probably would be. In the great majority of instances, the difference between the need figure used in constructing these packages and the amount of need calculated pursuant to the proposed rule would be no more than $400-$500. Under the proposed rule, that difference may permissibly be met with any source of funds except Basic Educational Opportunity Grants, Supplemental Educational Opportunity Grants, College Work-Study, or National Direct Student Loans. Therefore, if an institution has included even small amounts of institutional scholarships or employment in its packages, it has minimized any administrative inconvenience which final issuance of the proposed rule would cause. A similar result would follow for those institutions which rely to any significant extent on State grants and scholarships or Guaranteed Loans in meeting need.

It is our considered opinion that institutional receipt of the information which would enable them to make this determination would a have significant effect in allaying the concerns which have been generated in response to issuance of the proposed rule. The difference between the need figures generated by the private systems prior to the issuance of the proposed rule and the need figures which would be generated pursuant to the proposed rule cluster in the range of $400-$500, as I mentioned previously. Contrary to the implications of the information recently sent out by CSS to its user institutions, it would be an extremely rare case where the difference in the amount of financial aid a given student could receive would be as great as $700. In showing such increases, the table sent out by CSS was attempting to provide a tabular reflection of what the College Board understood to be the impact of the proposed regulation on its system of "negative family contributions."

"Negative family contribution" is unique to the College Scholarship Service System. It is a mathematical artifact produced by the method used by that system to estimate parental ability to pay. It may or may not represent a special need for additional assistance on the part of any individual student. To the extent that it does represent such a special need on the part of any individual student, that special need can be met under the existing rules. It is simply necessary for the student financial officer to determine what those additional needs are and add them to the student's cost of education. I believe we can deal with the misunderstandings which may have arisen from the College Board document by simply stating current policy in its relation to the proposed regulation. There are four points to be made:

First, a negative family contribution can, to the extent that it can be translated into specific additional costs of attendance in a particular student's budget be added onto his cost of education and thereby be reflected in the amount of the student's award within the rules which limit Federal aid to the cost of education.

Second, even where such justification is not made, negative family contributions may be used as an offset against student contributions from their own earnings or assets before the cost of education limit is applied.

Third, it may be used as a ranking device to indicate degree of relative need.

Fourth, in order that this unique feature of the College Scholarship Service System should not be reflected in our standards for system comparability under the proposed regulation, we intend not to identify as sample cases under the rule any of those family financial situations which would result in a negative family contribution under the CSS System, but not under other systems.

Accordingly, Mr. Chairman, I can assure your Committee that there will be no increases in family contribution for students who, in the base year, would have had a zero or negative family contribution. Nor will the autonomy of CSS in operating a system involving negative contributions be affected, nor the hitherto recognized practices of institutions using that version of the CSS System.

Despite some public comments to date, this rule is not based on any attempt to limit or reduce Federal expenditures. The amount of need which could permissibly be calculated pursuant to the proposed rule is likely to continue to exceed the Federal appropriations for student financial aid by a significant margin. We do not regard it as a Federal responsibility to fill the entire gap between institutional costs and parental ability to pay. That is a responsibility shared among a large number of significant factors, both public and private. It is not a responsibility for which the Federal Government has ever attempted to claim exclusive jurisdiction.

This is a point which I am perhaps overemphasizing, but I believe it is critically important. The issuance of the proposed rule on need analysis was motivated by a difference of opinion concerning legitimate ways of estimating ability to pay and out of concern that my responsibilities in this area were not being exercised as they should be. Budgetary considerations are of no relevance in this contest, since the appropriations, for the affected programs were not in any way influenced by the way in which need is estimated.

In conclusion, Mr. Chairman, I should like to suggest that the proposed rule represents a necessary and reasonable exercise of my authority to set standards for the determination of need under the campus-based student aid programs, that cooperative action by the U.S. Office of Education, NASFAA and the private need analysis systems can overcome whatever administrative inconvenience may be involved in the implementation of the proposed rule.

Mr. BELL. I come before you this morning to indicate that the U.S. Office of Education still fully and completely subscribes to the agreements about the theory and practice of need analysis which were laid before your committee 17 months ago; and it is in this context that we would like to discuss our recent regulations on need analysis. We believe that the purpose of need analysis is and should be to provide families and financial aid administrators with a reasonable estimate of ability to pay. We recognize and accept the fact that those estimates must be regularly updated for changes in the Consumer Price Index (CPI) in order to maintain acceptability with all parties concerned. And we agree most emphatically with the statement that in approaching the question of adjusting need analysis standards, we must always bear in mind the plain fact that "we still have a great deal of unfinished business in terms of access to higher education for large segments of the population whose dilemma is not where to learn but whether to learn."

Viewed from this perspective, Mr. Chairman, I am sure you can understand why we were deeply concerned when, on August 15, 1974, we received a general circulation announcement from the college scholarship service (CSS) which set forth very dramatic changes in its need analysis system for 1975–76, changes which had been made, "in response to strongly voiced concerns of parents, students, and the

CSS constituency regarding the expected parental ability to pay for post-secondary education in the face of a continuing inflationary economy."

Please note, Mr. Chairman, that the letter makes no mention of any response to the concerns of any governmental entity concerned with either the provision or the stewardship of taxpayer's dollars for student assistance. Indeed these changes were announced by CSS at a time when there were no regulatory procedures for official consultation with the U.S. Office of Education. The proposed rule, published February 19, 1975, in the Federal Register, sets into motion an annual review process to prevent a recurrence of such events.

The magnitude of the changes in the amount of expected parental contribution announced by CSS last August far exceeded the amount of change which would have been predictable from the testimony before your subcommittee 17 months ago.

There was a change in base year involved. That change resulted from updating for anticipated CPI changes through December 1974, rather than February 1974. That updating, by itself, would have resulted in a decrease of approximately 20 percent in expected parental contributions, based upon changes in CPI, which would have been acceptable to the Office of Education. However, that updating was accompanied by major changes in the system which produced a further drop in expected parental contributions far beyond that produced by the CPI updating. Those changes produced such a great additional drop in expected parental contributions that we considered them a violation of the implicit understanding according to which CSS had been recognized as an approved need analysis system for purposes of Federal programs of student financial aid.

The timing of the announcement of the new expectation rates had potentially grave implications for the distribution of Federal funds among the institutions of higher education which participate in the three "camput-based" programs of student financial aid—supplemental educational opportunity grants, college work-study, and national direct student loans. It came precisely the same time that the Office of Education was mailing the application forms to postsecondary institutions which they needed in order to apply for funds for academic year 1975–76, and preceded by approximately 2 months the application closing date. The American college testing program (ACT) had not yet announced the changes it intended to make and did not do so until the application closing date had passed. Therefore, the amount of need measurable for the student at a given institution under the CSS system would have been demonstrably and significantly greater at that time, as shown on the application form, than the need of those same students as measured under the ACT system.

An institution which names either service as its prime source of need analysis receives from that service various summary reports respecting the need analyses it has performed for students attending that institution. Those reports disply data in a form useful to the institution in preparing its application for funds. Because of the dramatic changes in the CSS system, institutions participating in CSS were in a position to demonstrate a much greater increase in need among a given group of students than could a user of ACT with respect to the same group of students. This inequitable result was prevented by the November

13, 1974, publication in the Federal Register of additional funding criteria for evaluating institutional applications to participate in the campus-based programs.

The Office of Education requested and received technical assistance from staff of ACT, CSS and the National Association of Student Financial Aid Administrators (NASFAA) in the publication of those criteria and in the preparation of the tables used by the regional review panels in evaluating applications. We wish the record to show, however, that the advice and consultation which were given freely and generously at our request did not constitute organizational approval of our action by any one of those three organizations.

During the time that applications were being received from the institutions and reviewed by the Office of Education, extensive conversations were going on about ways and means to prevent the need for another emergency issuance of additional funding criteria for reviewing applications. In addition, the Office of Education was continuing to negotiate with the systems as late as January 23, 1975, in an effort to seek some reconciliation between the services and OE in the treatment of individual student need analysis.

The issues involved in these questions of need analysis are many. The ways in which they are raised and answered have profound implications for public policy concerning the distribution to students of Federal student financial aid funds. During its development of the February 19, proposed rule, the Office of Education considered at length several alternative possibilities, such as: Establishing preferential criteria for the guidance of institutions in choosing among the pool of eligible students; establishing a gross income cutoff point; or replacing, for Federal purposes, the ACT and CSS analysis systems with a system prescribed in detail by regulation.

All of these options were discarded, however, for one reason or another.

Under the proposed rule published on February 19, the existing private need analysis services could continue to exercise a considerable degree of autonomy and reflect differing value judgments, but that latitude would not be unlimited, as previously was the case. The requirement that a system produce results within $50 of benchmark results established on the basis of a set of benchmark cases limits the latitude of the private systems, but the limitation of that requirement to cover only 75 percent of the benchmark cases means that the private systems can vary considerably from each other with respect to differing value judgments.

I would direct your attention to page 10 of my complete statement for a graphic representation of one of those value judgments.

Copies of the proposed rule were furnished to the Congress, institutions and other interested parties at the time it was published for public comment in the Federal Register.

I should like to stress the main points of my letter which accompanied the mailing to institutions of higher education. The proposed rule contains three major components, as follows:

One: In order to provide for review of future modifications in private need analysis systems used to distribute Federal funds, the proposed rule would institute an annual review cycle.

This rule does not establish a Federal need analysis system, but rather accepts the need analysis methodology and rationale developed by private parties, provided that they meet standards of comparability among systems from year to year as set forth in the regulations.

Two: In order to deal with the immediate problem of distribution of financial aid awards to students for use in 1975–76, the review and approval process will become effective after final publication of the proposed rule.

The approximately 100 benchmark figures which will apply to the awarding of Federal funds to individual students for academic year 1975–76 will be taken from the expected parental contributions derived from the table (table E) published in the college scholarship service (CSS) for determining expected parental contributions and awards for use in the current 1974–75 academic year, reduced by 20 percent to account for changes in the Consumer-Price Index published by the Bureau of Labor Statistics. It is in terms of this standard that the major private systems would be seeking Federal recognition under the proposed rule and would be assisting institutions in the awarding of Federal student aid funds.

Three: In order to accommodate institutions which are currently engaged in the award cycle for academic year 1975–76, and recognizing that such awards are, in many cases, based upon the need analysis results already furnished to them by either of the two major private systems of need analysis—CSS and ACT—the proposed rule permits the limited use of such need analysis results to set the outside limit of all student assistance—Federal and non-Federal—for use in the 1975–76 academic year.

Please note that the proposed rule makes no change in the professional discretion currently accorded to the financial aid administrator. The financial aid administrator may continue, in individual cases, to adjust the expected family contribution calculated according to one of the approved need analysis systems or methods of calculation where the student financial aid administrator has reason to believe that such an expected family contribution does not realistically reflect the ability of the student and his parents to contribute toward the student's cost of education. In addition, the regulation allowing the institution latitude to have final awards up to $100 more than the determined student financial need will continue to be in effect.

There was a public hearing on the proposed rule on February 28. At that hearing, and to this date, very few reservations have been expressed concerning the substantive merits of the proposed rule. Unless such comments of a persuasive nature are raised, we propose to move as expeditiously as possible to publication of the final rule, which we would hope to accomplish by the end of this month. This would provide institutions with the guidance necessary to allow them to comply with the changes made by the rule.

We would be less than candid if we did not note that many objections have been raised about the administrative inconvenience which would be caused by the timetable for issuance of this rule. Considering the critical importance of the issues involved, we do not find this argument of administrative inconvenience to be persuasive.

Acceptance of this argument would lead to the conclusion that an inequitable distribution of Federal funds is to be preferred to the inconvenience of those charged with the responsibility for administering it. We would suggest to you that neither the Congress nor the executive branch would be likely to consider administrative inconvenience as an acceptable basis to guide the stewardship of Federal funds.

This is not to say that administrative inconvenience has been totally ignored in the formulation of the proposed rule. Quite to the contrary. The proposed rule has been formulated in such a fashion as to have the least possible impact on any aid packages that may have been constructed before its issuance.

An additional step which could be taken to minimize the amount of inconvenience caused to institutional aid administrators by the issuance of such a rule would be for the private need analysis services to begin informing their clients at the earliest possible date of the amount of need which would be calculated according to the proposed rule. I have written a letter to the presidents of ACT and CEEB, the parent organization of CSS, requesting that this action be taken at the earliest possible date.

If this advice were followed, those institutions which have already constructed their aid packages would be assisted in their attempts to verify whether those packages are acceptable under the proposed rule, as many or most of them probably would be. In the great majority of instances, the difference between the need figure used in constructing those packages and the amount of need calculated pursuant to the proposed rule would be no more than $400 to $500.

Under the proposed rule, that difference may permissibly be met with any source of funds except basic educational opportunity grants, supplemental educational opportunity grants, college work-study, or national direct student loans. Therefore, if an institution has included even small amounts of institutional scholarships or employment in its packages, it has minimized any administrative inconvenience which final issuance of the proposed rule would cause. A similar result would follow for those institutions which rely to any significant extent on State grants and scholarships or guaranteed loans in meeting need.

It is our considered opinion that institutional receipt of the information which would enable them to make this determination would have a significant effect in allaying the concerns which have been generated in response to issuance of the proposed rule. The difference between the need figures generated by the private systems prior to the issuance of the proposed rule and the need figures which would be generated pursuant to the proposed rule cluster in the range of $400 to $500, as I mentioned previously. Contrary to the implication of information recently sent out by CSS to its user institutions, it would be an extremely rare case where the difference in the amount of financial aid a given student could receive would be as great as $700

Despite some public comments to date, this rule is not based on any attempt to limit or reduce Federal expenditures. The amount of need which could permissibly be calculated pursuant to the proposed rule is likely to continue to exceed the Federal appropriations for student financial aid by a significant margin. We do not regard it as a Federal responsibility to fill the entire gap between institutional costs and parental ability to pay. That is a responsibility shared by a large number of significant factors, both public and private. It is not a responsibility for which the Federal Government has ever attempted to claim exclusive jurisdiction.

The issuance of the proposed rule on need analysis was motivated by a difference of opinion concerning legitimate ways of estimating ability to pay and out of concern that my responsibilities in this area were not being exercised as they should be. Budgetary considerations are of no relevance in this context, since the appropriations for the affected programs were not in any way influenced by the way in which need is estimated.

In conclusion, Mr. Chairman, I should like to suggest that the proposed rule represents a necessary and reasonable exercise of my authority to set standards for the determination of need under the campus-based student aid programs; that cooperative action by the U.S. Office of Education, NASFAA and the private need analysis systems can overcome whatever administrative inconvenience may be involved in the implementation of the proposed rule.

My colleagues and I, Mr. Chairman, would be pleased to respond to questions.

Mr. O'HARA. Thank you very much, Commissioner.

Commissioner, at the hearings before this subcommittee about a year and a half ago to which you referred, there was a lot of criticism on the part of members of the subcommittee—particularly by the chairman of the subcommittee—that the expected parental contributions then being suggested under the needs analysis systems of both CSS and ACT were highly unrealistic in their expectations and that the expectations were not reasonable. I was one of those who was pleased when CSS went back and reviewed its entire expected parental contribution schedule and made considerable revisions in it.

Apparently, though, you feel that CSS has erred on the side of expecting too little in the way of parental contributions and I wonder if you could give us some examples of where they are expecting too little.

Commissioner BELL. We do feel that they are expecting too little and obviously feel that the position that we have taken is a correct one.

I would like to call on Dr. John Phillips, associate commissioner for student assistance, who directly relates to this program, to react to some specifics that you have asked for.

If you would, please, John.

Dr. PHILLIPS. I think, to give some specific examples, we might take two income cases.

First, a family of five with one in postsecondary education. Let us look at these adjusted effective income figures. Adjusted effective income is after certain adjustments have been applied so it is not a gross income figure.

Let's take a family with an adjusted effective income of $9,000.

Mr. O'HARA. Five children?

Dr. PHILLIPS. A family of five with one enrolled in postsecondary. This is sort of a standard case.

Mr. O'HARA. An effective family income of $9,000.

Dr. PHILLIPS. Right.

Under the CSS system, the expected parental contribution for this year, 1974–1975, was $512. Under the revised system that CSS has tried to put into effect for 1975–1976, that expected parental contribution would vanish entirely and, in fact, that family would show a negative expected contribution of minus $10.

Now you know, if you accept that kind of a reduction from $512 and $522 if the negative income figure is to be funded, then in effect you are relieving that entire parental contribution of that family. That's a reduction of $522.

Now if you look at a family with an adjusted effective income of $12,000——

Mr. O'Hara. What would your schedule produce?

Dr. Phillips. The schedule we have proposed, if you reduce the $512 by a 20 percent adjustment for inflation, it would reduce it by $102 to $410.

Commissioner Bell. I think it is important for us to make it plain that that is with a 20 percent change and not the one that was in existence prior to a 20-percent adjustment.

Dr. Phillips. As you move up the income ladder, these reductions become even more significant.

For 1974–1975, the CSS system had an expected parental contribution of $1,237 for a family with an adjusted effective income of $12,000.

Now, under the proposed CSS schedule for 1975–1976, that expected parental contribution would be reduced to $590, which is a reduction of $647.

As you move up: $15,000, the reduction is $930; $18,000, the reduction is $1,452; $21,000, the reduction is $1,612.

That reduction remains constant because at that point, CSS chose to impose a maximum reduction.

I think our feeling is that in the final process of making these changes in the need analysis system, what has happened here is that a fundamental premise of student aid has been challenged by implication; the fundamental premise being that the primary responsibility for paying for a student's postsecondary education rests with the family and the student, himself, and that student aid is used to supplement parental and student contributions.

We have no objection to a reduction in the expected parental contribution that takes account of changing economic circumstances. That is to say, a reduction in the real income of the family and its ability to finance these costs.

But our contention is that reductions of the magnitude I have just described in specific cases really go far beyond the necessary reductions to accommodate changing economic circumstances.

Mr. O'Hara. Dr. Phillips, I think I might quarrel with that conclusion. Is there a shorthand way of describing the difference between effective family income and family income? They are substantially the same, aren't they?

Dr. Phillips. I believe, Mr. O'Hara, the adjusted family income is after you have taken out taxes and these costs. In other words, you are really talking about disposable income.

Mr. O'Hara. After you have paid your taxes.

Dr. Phillips. As I understand the way these work.

Mr. O'Hara. Does it also take into account any of your assets?

Dr. Phillips. I don't think it does. I would have to defer to one of the experts as to exactly what comes out.

It has been our understanding that an adjusted effective income say of $9,000 is really a gross income of something approaching $12,000.

Mr. GOGGIN. An adjusted effective of $9,000 is comparable to roughly somewhere between $11,000 and $12,000 income before taxes for a family with net assets equal to the retirement allowance used in the CSS system. You would be talking about somewhere between $11,000 and $12,000 total income, but simultaneously, the family would have to have assets equal to the retirement allowance, which would be roughly $11,000 for the average family.

Mr. O'HARA. What if they have more than that?

Mr. GOGGIN. Then the adjusted income would be much higher.

Mr. O'HARA. If we are talking about an adjusted income of $9,000, it would take less than $11,000 to produce an adjusted income of $9,000.

I am going to defer further questioning on that point until the CSS people and the others have had an opportunity to explain to us how they arrived at their adjustments and what their rationale was.

Let me simply say in the interest of consistency—and there are very few things which I am consistent on over a period of as long as 17 months—my view, then, was that the old schedule was unrealistic and I felt that they ought to move in this direction, and they have.

I think I will probably be inclined to agree that the new schedule is more realistic.

Mr. Simon, did you have any questions for the Commissioner?

Mr. SIMON. This is all a brand new field to me. I am a very green member of this subcommittee.

Commissioner BELL. It is very complex, Mr. Simon.

Mr. SIMON. You talk about 1975–76. You are talking about its impact effective September of this coming year; is that right?

Mr. SPEARMAN. That's right. July. The current distribution of funds for next academic year.

Mr. SIMON. So you are talking about the new fiscal year?

Mr. SPEARMAN. The effective fiscal year begins July but we are essentially talking about the students who will be entering college in September.

Mr. SIMON. OK.

You have obviously made some kind of cost estimates of the total impact of these two things. What are those cost estimates?

Commissioner BELL. Maybe you ought to respond again to that, Dr. Phillips. It is adjusting for the Consumer Price Index.

Dr. PHILLIPS. Are you interested in the impact of the changes in the curves in terms of the aggregate need for student aid moneys?

Mr. SIMON. Yes, the aggregate financial impact on the Federal Government.

Dr. PHILLIPS. Of course, recalling the Commissioner's statement, I don't think we have ever looked at the unmet need as totally a Federal responsibility but rather as a combined responsibility of various parties.

The estimates of the aggregate need that could result from an application of these curves could reach as high as $9.90 billion. That was a preliminary estimate based on our basic grant projection models that we did immediately after the issuance of these CSS revised curves.

This is as against an estimated total need for 1974–75 of $6.49 billion, so that you are talking about an increase in the need gap—of something in the neighborhood of $3.4 billion.

Now, good and reasonable people can disagree about what the real dimensions are here. I think perhaps it is safer to talk in terms of the population at a given institution rather than trying to do the sort of gross national estimates of the aggregate increase in need. I believe CSS spokesmen have indicated something like a $2 billion increase. Our figures, as you can tell, run somewhat higher than that.

Mr. SIMON. I have no further questions, Mr. Chairman.

Mr. O'HARA. Mr. Quie.

Mr. QUIE. Thank you, Mr. Chairman. First let me ask you how long has it been since the new CSS table has been out?

Commissioner BELL. The table came out, I believe, in August of 1974.

Mr. QUIE. So they have been able to make some decisions based on that. How have the colleges reacted to that substantial reduction in expected family contribution?

Commissioner BELL. I think it has been varied.

Dr. Phillips has conducted the hearings. Maybe he should respond more specifically.

John?

Dr. PHILLIPS. Mr. Quie, the Commissioner is correct that the responses have been extremely varied.

On the one hand, I think that many colleges and universities have found themselves in the position of saying: "We are now to a point where we can talk honestly and in terms of reasonable expectations with students and parents and we don't have this sense of imposing a higher expectation level than we think is really reasonable."

On the other hand, many colleges and universities have reported two major concerns to us.

No. 1, that the reduction is fairly dramatic and there is a question of equity here. If you happened to be enrolled last year and you have a brother or sister entering this year, there is a vast difference in the amount of financial aid for which you might be eligible with this dramatic change in the curve, so there is kind of a longitudinal equity problem which I think is recognized generally.

Beyond that, of course, looking at things from the standpoint not just of the financial aid administrator but of the persons responsible for balancing the budgets of institutions and trying to find the resources necessary to balance those budgets and meet financial aid commitments, we had a number of indications from institutions that the effective shifting of the financing responsibility from parents to institutions—if they are going to have a chance of meeting full need, as documented under the need analysis system—represents a tremendous problem which has emerged as part of their budgeting process during this year.

As you are probably aware, the Ivy League schools have taken independent action to modify the CSS curves in order to bring expected parental contributions back into a more reasonable kind of balance so that in the effort to meet student need they are not in a budget busting kind of situation.

If you would like, I can quote from an institutional letter estimating what the aggregate impact of this change is.

Mr. QUIE. What is the institution and the aggregate impact?

Dr. PHILLIPS. It is the University of Oregon. The aggregate contribution of all applicants from parental income of zero to $20,000 for 1974–75 was $6,200,000.

If we apply those to this case, the figure would be $2 million. The difference of $4.2 million potentially represents an additional need factor for aid to the students applying at the University of Oregon.

Mr. QUIE. With the limited amount of money, I can't imagine if CSS lowers the expected parental contribution and the Office of Education didn't change its needs analysis but followed CSS, that the Appropriations Committee would increase appropriations to take care of all that. Who does it come out of?

Commissioner BELL. I guess that's the question we have been raising, too.

Dr. PHILLIPS. It looks to us as though it will come out of the hides of the institutions if they are going to continue to try to meet need.

The alternate possibility would be that they would be forced to start not meeting the needs of the neediest first but spreading the limited resources over a much wider range of incomes, and this is one of the critical policy issues which we tried to address in the rule that you are reviewing today.

Mr. O'HARA. Will the gentleman yield?

Mr. QUIE. Yes.

Mr. O'HARA. I think you misspoke yourself. Certainly, they wouldn't be forced to start spreading the resources. They would be able, if they chose to do so, to concentrate their need among those having the greatest need but they simply wouldn't be able to use the specious excuse that all the others weren't getting help because someone had said they had no need when the student knows good and well either he gets the help or he doesn't go to school. You can't tell him he has no need.

You would have to say to him: "Look, you have a need but there is a shortage of money so we—the institution and the financial aid officer—have decided that we are going to give the aid we could give to you to someone else."

It makes it a little hard. It is a little more difficult but they could do that.

Dr. PHILLIPS. You are quite right. The only question would be whether that is a specious or a reasonable argument.

Mr. QUIE. Do you have any comparison with previous years? Now the average income for a family is about $12,000. How about when it was $8,000? What percentage of the cost of higher education was expected to be borne by the parents at that time?

Dr. PHILLIPS. I am afraid that I would not be able to answer that.

Mr. QUIE. Do you have any comparison on that? I know you have the table that compares it with CSS last year but we don't know whether CSS last year was accurate or not.

Pointing to some inaccurate program is not too good.

You could take some periods in history and compare it with that.

Dr. PHILLIPS. I do have information on the expected parental contributions going back 4 years.

Let's take your case of someone now making $12,000 which might have been equivalent to $8,000 or $9,000 5 years ago. One of the things that is disturbing to us is the way in which the figure—let's take that $12,000 family of five again with one in postsecondary education.

For 1972–73 that family was expected to contribute $1,350.

For 1973–74 they were expected to contribute $1,389 which was actually something of a $39 increase.

Last year, as I reported earlier, they went to $1,237 but this is a kind of gradual shifting, you see.

All of a sudden, in 1 year from 1974–75 to 1975–76 they dropped down to $590.

There is a certain discontinuity from the historic principles of need analysis reflected in these changes from one year to the next.

Mr. QUIE. When you learned in August that CSS had new tables out, why did it take this long to come up with changes in the regulations, yourself?

Commissioner BELL. Well, we were hopeful, based upon meetings we were having, that we could resolve the issues that we were discussing.

In fact, as I indicated in my testimony, up until January we still had hopes that we could work it out so we were, in effect, negotiating up to that point.

In retrospect, we should have started earlier but all along we felt we were going to be able to work it out without resorting to a rule change.

Mr. SPEARMAN. There is actually a second facet involved here because we are involved in a two-part process. The first is related to the allocation and distribution of funds to institutions.

When we became aware of the change in the CSS tables, we moved swiftly to meet and propose additional criteria for funding, and at that time we faced the same problem where people were concerned about the dramatic shift in the institutional funds.

In a panel review of applications that were submitted to the Office of Education, a large number of applicants did not exceed the modified rule for institutions regarding the governing of the distribution of funds, and the number of national appeals which occurred last year did not exceed the number received the previous year. Only 89 occurred, which meant we moved on that side of the fence.

We then needed to move toward the allocation and distribution of funds to students, which was the second part of the process, because we anticipated dramatic shifts in the ability of institutions to fund needy students.

We continued our negotiations as late as January 23 in hopes that there could be some reconciliation between the systems and the Office of Education without having to move in this direction.

So we did not sit from August 15 until today waiting for something to occur.

Mr. QUIE. Have you any estimate of the number of parents who, had it not been for the change in the economy, would have had an income say of $12,000 or $15,000, as an example, and are now unemployed? I can see the problem as you mention the University of Oregon. If you lower the expectation of family contributions, somebody would have to make that up someplace else or else parents will have to pay it whether they are expected to or not. That would be an increase in cost.

Without any change whatsoever, what kind of increase in cost will come from student assistance just because the parent's incomes have been reduced mostly from unemployment? I am thinking of the

Michigan situation. I think there must be a tremendous number of people whose children go to college who are now laid off.

Commissioner **Bell**. One of our experts ought to respond.

Mr. **Goggin**. In that particular case, the financial aid administrator would probably use estimated income for 1975.

To the extent that that proved to be quite a bit lower than the base year income, the 1974 income, which the rule gears itself toward, then, of course, the contribution would be correspondingly lower in areas like Michigan where the unemployment rate would run quite high, and need would increase obviously much more in those areas.

But the proposed rule would not affect the ability of a family to generate much more need and a financial aid administrator can take those circumstances into account since it does not affect estimated income.

Mr. **Brooks**. That could be handled regardless of the change.

Mr. **Quie**. I recognize that. However, pressure on Federal money, it seems to me, should be to help students who are poor and we have a large number that are poor because of unemployment.

Mr. **Brooks**. Of course, the funds are already appropriated for next year. We don't really see the likelihood that more funds will be appropriated.

Mr. **Quie**. I recognize that but in the use of money, isn't it likely that the money would take care of the lower income person and if a person is unemployed, his children are pretty likely to qualify.

Mr. **Brooks**. That would presumably be the first choice that the institutional aid administrator would make.

Mr. **Quie**. It seems what CSS is doing is putting additional pressure that isn't there. Already, the pressure has increased substantially.

Let me ask you one last question.

There has been talk in colleges—especially private collges—that there is money for the poor and money for the rich but not the middle income. I don't exactly believe that but that is what they have been saying. Will CSS changes affect that mix at all?

Commissioner **Bell**. Dr. Phillips, would you respond.

Dr. **Phillips**. Mr. Chairman, the moneys available, as I think was pointed out earlier, have already been set by the appropriations process.

The funding of institutional applications for these funds, which I believe we delivered to you this morning, show that the percentage of total need that is actually being fulfilled, even under the old standards in the special rule, is only 39.5 percent in SEOG initial year, 57.7 percent in SEOG renewal year, 51.5 percent in College Work Study, and 53.5 percent in NDSL.

What you are really talking about, I expect, is that this money is not going to be really expanded up the income ladder very far if the procedure of funding the neediest first is, in fact, followed uniformly.

One of the great problems of the CSS changes in their system, which we are endeavoring to address in this rule, is that in the process of making these rather dramatic reductions in the parental contributions that are expected, they may very well create an expectation that moneys will be available, when, in fact, the moneys are not there. We are not in a position, under current levels of funding, to finance more than, as I indicated, the percentage of total need certified by the institutions even under the old need analysis standards.

Mr. QUIE. Thank you, Mr. Chairman.

Mr. O'HARA. Mr. Hall?

Mr. HALL. No questions, Mr. Chairman.

Mr. O'HARA. You know, you raised a couple of questions I would like to return to for a minute. I will get into them with the other witnesses.

One of the effects of your change or proposed regulation, if finally promulgated, would be to reduce the apparent needs gap; would it not? In other words, no one is talking about a larger appropriation for next year or going for a supplemental depending on whether this regulation is adopted, but in terms of the ways in which the congress and State legislatures and so forth can assess the amount of unmet need, it does make quite a bit of difference.

If you are determined that the amount of aid which is available—which is insufficient, no matter which standard you use—go to the lowest, to the neediest—though I'm not sure that's a good way of doing it.

If I could just digress for a moment, assume we have two students, both of them needy, both of them unable to attend school without assistance. When you don't have enough, how do you choose who gets it? With one of them being a little needier than the other, but neither able to attend without help, why should you necessarily pick the one whose family income is slightly lower than the other?

Maybe there ought to be some leeway in there. Maybe that ought to be a place for the exercise of some discretion. Maybe you ought to look at the academic promise of these two students. I don't know.

Mr. SPEARMAN. I don't think the practice of aid officers is an either-or situation as it exists in the field. We do encourage the aid officers to make all the effort they can to reduce the amount of a student's need by increasing the amount of aid available through other resources.

Commissioner BELL. It is also important, Mr. Chairman, to point out that the aid officer still has authority to waive in this regard. We haven't taken away that discretion.

Mr. O'HARA. What would be wrong with, instead of going through this business of yet imposing another kind of schedule, saying; "Well, no matter how you figure the need, you have to give first preference to the neediest," or "you can use your discretion and make sure that the aid is distributed in such a way as to permit the maximum number of kids to attend."

Or give a simple directive. Say: "All right, fine, use the CSS schedule, if you want, but do it in such ~~and such~~ a way." Wouldn't that be a simpler approach?

Dr. PHILLIPS. We did consider that in some detail. I think I could give you a two-part answer.

First of all, any kind of a statement of that sort would, in itself, involve some degree of arbitrariness. You would have to set some kind of standard or limitation of eligibility and so on.

But the basic trouble with that approach is that it doesn't really deal with the central policy issue, which has to do with—by implication or by infernece or by action of a private party—transferring a major share of the responsibility from parents and families to institutions and, through that, to the Federal Government. That is a very critical and fundamental policy question.

Now if the Congress were satisfied that that was an issue that needed to be resolved in this manner, then it might be a different story, but the policy issue has not really been addressed. In fact, one of the benefits of this rule, I think, is that it does force all of us to think carefully about that fundamental policy issue.

Mr. O'HARA. Well, I won't prolong this. I want to hear from the Needs Analysis Services, but first, Commissioner Bell, there is another matter that you and I had discussed informally. I understand the Office of Education is going to make a request of the Congress shortly. I would like to give the members of the subcommittee advance notice of what this problem is and I understand you are in a position to deliver a brief statement on the question.

Commissioner BELL. I have a rather lengthy statement concerning this problem that I would like to submit for the record and then give you an abbreviated version of it.

Mr. O'HARA. Without objection, your full statement will be entered in the record.

[Supplemental statement referred to follows:]

SUPPLEMENTAL STATEMENT BY HON. T. H. BELL, U.S. COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. Chairman and Members of the Subcommittee: It now appears that, despite our efforts to avoid it, we will have a significant amount of unexpended funds for the current 1974-75 academic year in the Basic Educational Opportunity Grants Program. Based on the best information available, it appears that we will expend approximately $400 million this academic year. Since the FY 1974 appropriation for Basic Grants was $475 million and we had a $60 million carryover of funds from FY 1973, we may have an underutilization of $135 million.

We are here today to request authorization to carryover those unexpended funds and use them for the academic year beginning in September. If we are given the legislative authority for such a carryover, we believe we can issue a Payment Schedule which would allow Basic Grants to reach full funding of $1,400 in the 1975-76 academic year.

The alternative to carrying over the unexpended funds would be to resort to the existing statutory requirement for redistribution of any unexpended funds to current recipients of Basic Grants. We believe redistribution to be the alternative which will do most damage to the program for the following reasons:

We would have to wait until after the academic year ends before institutions would be able to make their final reports on Basic Grant expenditures. Since we would be unable to determine the exact amount of surplus until the institutions' final reports are processed, it is estimated that we would not know this amount until September.

We would then have to determine how many students actually received a Basic Grant during the preceding academic year, identify and locate each student, determine the amount of each grant awarded, and, based on the amount of surplus, calculate the amount of any additional award.

Assuming that this process could be accomplished within two months, we would be ready to prepare approximately 600,000 Federal Treasury checks in November.

Assuming that the preparation of these checks could be accomplished in one month, and assuming that we are able to locate the students due an additional award, we could begin to distribute checks in February, 1976. By that time the mailing addresses we have for these students would be about 18 months old. It would be relatively easy to locate those students who are still enrolled in school and have reapplied for a Basic Grant during the 1975-76 acacemic year, since they could be traced by using their social security numbers. However, there may be a significant number who either terminated their education, did not apply again for a Basic Grant, or were enrolled in a short-term course of study which they have completed. These students will be extremely difficult to locate.

It is important to remember that those students we are able to locate would be receiving awards for an academic year which has been over since June 1975, and may not have re-enrolled in school. In addition, such awards would make meaningless the statutorily required affidavit stating that students will be using Basic Grant funds solely for expenses related to attendance or continued attendance at an institution of higher education.

While we understand the intent of this requirement, we believe that requiring us to comply with the statutory redistribution requirement would result in an extremely ineffective use of limited Federal student aid resources.

Let me explain, Mr. Chairman the process of estimating expenditures for the program, the Payment Schedule, and the reasons we are faced with the current problem.

BACKGROUND

The Payment Schedule is a table used by institutions to determine the amount of a student's award by finding that student's eligibility index and the cost of attendance. This table is issued annually and reflects our best estimates of the number and types of students who are eligible for the program, the enrollment patterns of such students among institutions, the cost of attendance at these institutions, and the amount of funds available during the given year for the Basic Grant Program. In addition, included in the estimates used in the development of the Payment Schedule is an estimate of the number of eligible students who will actually apply for and be determined eligible, and request payment of their Basic Grant awards. Based on these major factors, the Payment Schedule is issued and used for the duration of the academic year and we have an obligation to honor the level of awards indicated on the Schedule. Once issued, the Payment Schedule should not be changed since such a change would require a recomputation of awards for every student who has requested calculation and/or payment of their Basic Grant award to that date. Last year when the Payment Schedule was devised for the current academic year, we were hampered by the fact that we did not have experience data for a full year of operation of the program and the only data base we had was questionable for the following reasons:

During the 1973-74 academic year, the student application forms were distributed quite late in the year, and therefore, a number of students had already financed their postsecondary education using financial aid from different sources or had made other decisions regarding their future plans. In order for some institutions to use Basic Grants in student aid packages, the entire package would have to have been recalculated and funds shifted around.

Because of the lateness of the distribution of applications, many high schools were closed and could not be utilized as a distribution point nor could high school counselors assist in making students aware of Basic Grants and encouraging students to apply. Therefore, a number of students who normally could have been reached through the high schools had already graduated and were not aware of the availability of Basic Grant assistance. This problem was particularly severe since Basic Grant eligibility was restricted, in the first year, to those who were just beginning their post secondary education.

Because of the low level of the 1973 appropriation for the program, student awards were quite small, ranging up to $452 for students with maximum need. We assume that a number of students did not apply because of these low award levels.

Many of the 1973-74 applications which were received were from high school seniors who would not be enrolling until 1974-75. However, since the number of such high school seniors was difficult to estimate, the validity of the data base for the first year's operation was again suspect.

The program was new and at the same time had limited acceptance in the postsecondary community. We believe that, in a number of cases, limited effort was made by institutions of postsecondary education to assist the success of the program. For example, a fairly substantial number of community colleges with large enrollments and located in low-income areas had less than one percent of their students receiving Basic Grants.

In spite of the fact that the first year's experience provided a questionable data base, we felt that our estimates used in the 1974-75 Payment Schedule seemed to be quite reasonable and even to incur some degree of risk of overexpenditure. This assumption seemed to be particularly valid because of the actions which were taken by program staff to achieve a higher rate of utilization during the second year of operation, including:

1. *Speedy publication of the Family Contribution Schedule for 1974-75.*—In September, 1973, we published the 1974-75 Family Contribution Schedules in the *Federal Register*, for comment. Once resolution was reached on the recommen-

dations for modifying the schedules, we were able to present them to the House and Senate Subcommittees well ahead of the legislatively prescribed dates, and the Congress was able to approve the 1974–75 Family Contribution Schedules on December 20, 1973.

2. *Simplification of Application, and Printing and Dissemination of Form and Related Materials.*—After eliminating the very complex "self-computation" worksheet and significantly streamlining and simplifying the form and instructions, we were able to submit the materials to the Government Printing Office in January. By early March, the printing contractor was able to print the applications and related materials (posters, fact sheets, brochures, cover letters, and reorder cards), box them, and begin the distribution to all high schools, eligible institutions of postsecondary education, and other locations easily accessible to students. This distribution was completed by the end of March, assuring that these forms would be available to students still in school.

3. *Public Information Campaign.*—In February, 1974, a contract was let to design mechanisms to inform students about the availability of Basic Grant assistance. The contractor prepared five sixty-second television spots and fifteen, thirty-second radio spots which were distributed to every radio and television station in the country. Each of the television and radio spots had a different theme designed to appeal to various segments of the disadvantaged target population. The spots featured a Black student, three female students, a Chicano family, a Puerto Rican classroom, and an animated version for general use. The central point of each spot was to make students aware of how the new Basic Grant program could play a major role in financing their post high school graduation plans.

4. *Training Efforts.*—A second contract was let to a consortium of the National Institute for Student Financial Aid Administrators, the American Personnel and Guidance Association, and the National Association of College and University Business Officers to conduct training sessions between April and June of 1974 to reach secondary school counselors before the schools closed for the summer. The primary purposes of this effort were to inform the participants about the Basic Grant program and to urge them to encourage their students to apply. In order to assist in this training effort, the Basic Grant Program prepared two documents, a *Guide to Basic Grants* for the use of secondary school counselors and a *Basic Grant Handbook* for postsecondary school personnel. Mr. Chairman, I would like to insert those documents into the record at the end of my statement.

We believe that these sessions were a major factor in increasing the acceptance of the program and, in fact, resulted in considerable support of Basic Grants at both the secondary and postsecondary levels. For these reasons we are conducting improved training programs on a similar scale this Spring.

Modification of Basic Grant Application Form to Assist Financial Aid Officers.—One of the major problems we experienced during 1973–74 was the inability of institutions to determine the application status of students enrolled in their schools. Similarly, many States expressed concern about their inability to "package" State aid with Basic Grant assistance. As a result of these concerns, we modified the Basic Grant application form to include an item asking students to list the name of the school in which they are planning to enroll if they have made that decision. Based on that information we prepared an applicant roster which lists, by institution, the name and address of each applicant who indicated that school on the application form and the status of each of these applications (eligible, not eligible, or rejected for insufficient information). Similarly, an applicant roster, based on the student's permanent address, is prepared by State and distributed to State Scholarship Agencies.

These rosters, which are distributed monthly, provide both institutional financial aid officers and State financial aid agencies with information on students who applied for Basic Grant assistance so that Basic Grants can be effectively coordinated with other forms of aid.

In addition, the institutional roster is being used by financial aid officers to ensure that all students who apply for other forms of assistance have also applied for Basic Grants. The financial aid officer can also use his list to identify those students who did not provide sufficient information on their Basic Grant applications, and assist them in completing their forms. The applicant roster issued in December was a cumulative one which listed the most recent record of each student. For the 1975–76 academic year, the institutional roster will include the applicant's eligibility index and will be cumulative each month. In this way we will provide further assistance to schools in the effective packaging of limited financial assistance.

Unfortunately, in spite of all of our efforts it seems that we will again have a problem of unexpended funds. If we were to use the same data source we used last year, the application flow, it appears that we would not have a significant underutilization problem. As a matter of fact, the application flow to date seems to be approximately the level estimated when we devised last year's Payment Schedule, and the level needed to expend the funds available for 1974–75. We expect to receive about 1.4 million applications before the March 15 closing date and the eligibility rate, at about 50 percent, is what we had anticipated. In addition, the average family contribution, based on the applications, would result in an average award of $750, resulting in a total expenditure of $525 million.

However, this year we have a second major indicator of the amount that the program may be able to expend during the current year, the data provided by participating institutions on their first Progress Report. The institutions report the amount of funds expended as of October 31 and estimate the amount of additional funds needed to meet the demand for Basic Grant funds through the balance of the academic year. Based on the information provided on the October 1974–75 Progress Report, it appears that the Basic Grant Program will expend approximately $400 million for academic year 1974–75.

There appear to be a number of factors which account for the differences between the data collected through the application processing mechanism and that of the institutional reporting system. For example, using a telephone survey of a small number of schools, we have determined that many students who were eligible are enrolled in postsecondary school on less than a full-time basis. Therefore, these students appear as eligibles based on the application processing data but do not appear as recipients in the institution's reports. In addition, it appears that many high school counselors distributed these applications to all of the seniors in their schools who might be eligible regardless of the students' plans for post-secondary education. Therefore, we believe that a significant number of persons submitted applications and were found eligible even though these students did not plan to pursue postsecondary education. As a result, the number of eligible applicants is not an accurate guide in terms of numbers of actual participants.

Another major factor is that based on data obtained from the application processing system, the average award should be about $750. However, the average award as reported on the institutional progress report appears to be around $675. The reason for this, we think, is that many non-traditional institutions (especially proprietary schools) have academic programs which are less than a full academic year in length. Program regulations require in those instances that student awards be reduced to take this fact into account. As a result, average awards in those inssitutions are below the levels expected, causing a reduction from our estimated level of expenditures. Similarly, students enrolled for only a portion of an academic year (for instance, one semester), must also have their needs reduced with the same impact on our estimates of expenditures.

While this reduction is considerably larger than we expected at the time that the 1974–75 Payment Schedule was finalized, it appears to be consistent with newly available data from the 1973–74 academic year, which indicate that student awards were reduced to account for those reduced period of enrollment.

Finally, since students can apply for Basic Grants during most of the academic year, many students who applied late for Basic Grants may have already had student aid packages which would have to be adjusted later in the academic year. As a result some schools may not actively encourage students to utilize the program in order to minimize making these adjustments or to avoid possible over-award situations.

Another serious problem is a result of the funding limitations, which required that the program limit student eligibility to students who enrolled in postsecondary school after April 1, 1973. Although solid data are not available, there are indications that a large number of students who would otherwise be eligible are restricted from participating as a result of this cut-off date. This, of course, would reduce the number of participants in the program as well as reduce expenditure levels. However, since hard data are not available, it is extremely difficult to account for these students in our estimation system.

Anecdotal information obtained from our sample survey of schools indicates that a relatively significant number of low-income students are enrolled in postsecondary education and receive no assistance from any source. It appears that many of these students are living at home and attending low-cost schools. As a result, these students do not perceive that they have any recognized need. Therefore, the financial aid office never has contact with these students and cannot inform them about Basic Grants. This number, of course, is difficult to estimate but it would certainly be a factor in the accuracy of the estimates of program participation since these students are also included in our total eligible population.

While it is difficult to determine the degree of effect of any of the above factors on the likely underexpenditures of 1974–75 funds, we believe each of them has contributed to this condition. Let me repeat that the program staff during the first two years of operation, did not have sufficient program data and experience to take many of these factors into account, and that the statistical data base used to develop estimates is only part of the total effort. The process is further complicated because we are required to project behavior pattern of students, parents, and institutions in light of changing economic circumstances. Therefore, the Basic Grant staff has been unable to match projections of expenditures to appropriations. However, as experience is gained by the program staff, these facts can be more easily assessed and it is expected that the funding estimation procedures will be significantly improved.

As a final note, may I again stress the urgency of timely action on our proposed amendment. Until this issue is resolved, we cannot complete action on the 1975–76 Payment Schedule will begin requesting schools to calculate their preliminary awards by the middle of March. Therefore, we urge you to keep this very tight frame in mind during your deliberations.

THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., March 6, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, Committee on Education and Labor, House of Representatives, Washington, D.C.

DEAR MR. O'HARA: As I am sure you are aware, each year the Basic Educational Opportunity Grant Program issues a Payment Schedule which establishes the level of the Basic Grant awards to be paid for the next academic year. In developing this Payment Schedule, we consider a number of factors, including our estimate of the number of eligible students (based on postsecondary school enrollment data and the appropriate Family Contribution Schedule), the total amount of funds available to make payments to students during that academic year, the cost of education at various types of postsecondary schools, the distribution of students among those schools, and our estimates of the number of eligible students who will actually apply for and receive Basic Grant awards.

At the time that the academic year 1974–75 Payment Schedule was finalized last Spring, we had not yet completed the first year of operation for the Program. However, at that time we were aware that there was likely to be some amount of unexpended funds from the 1973 appropriation.

In order to alleviate this situation and provide for an effective utilization of funds, we sought and received special appropriation language which allowed us to use these unexpended FY 1973 funds by adding them to the FY 1974 appropriation and the total amount was then made available to meet the levels of awards established by the 1974–75 Payment Schedule.

Unfortunately, in spite of our best efforts to assure full utilization of all available funds, we find ourselves in a similar situation again this year. As a result it appears that we may have approximately $135 million in unexpended funds this year. We would, therefore, welcome the opportunity to testify before your subcommittee in order to request your support for an amendment to the legislation which would permit us to carryover these unexpended funds to academic year 1975–76. Such an amendment would allow us to issue a Payment Schedule which would provide a maximum award level of $1400 for the academic year 1975–76.

In addition, we would like to discuss with you and your subcommittee the reasons for having these unexpended funds, the steps we have taken to avoid this situation, and why we believe that our proposed amendment would be a more effective utilization of these funds than the redistribution currently required by the authorizing legislation.

A major timing problem is created by the fact that we cannot distribute the academic year 1975–76 Payment Schedule to the schools until decisions are reached regarding the funds which are likely to be available for 1975–76. Without a Payment Schedule, the schools cannot calculate the students' preliminary awards for the coming academic year. We expect that students will begin submitting their Student Eligibility Reports to their institutions around the middle of March. Therefore, we would appreciate your early attention to this matter.

Sincerely,

CASPAR W. WEINBERGER,
Secretary.

Commissioner **Bell**. I would like to describe to you a problem we are experiencing in the basic educational opportunity grant program. As you are aware, the fiscal year 1974 appropriation for basic grants was $475 million and the amount carried over from fiscal year 1973 was about $60 million. The total amount of funds available for the 1974–75 academic year is $535 million. However, it appears at this time that the amount of funds we can expect to spend this year will be approximately $400 million. This estimate is based on our analysis of institutional reports on actual expenditures to date and the schools' estimates of how much money they will need for the balance of the academic year. A $400 million level of expenditures will result in an "underrun" of $135 million.

We are very much aware of the language of the law which requires us to redistribute any unexpended funds in a given year to all basic grant recipients during that year. However, for a number of compelling reasons, we believe that amending the legislation to permit us to carryover any unexpended funds to the subsequent academic year would be a much more reasonable and effective way to deal with this this situation.

First, granting us this carryover authority for the current year would permit us to fully fund the program in academic year 1975–76. This would mean that we could make awards ranging from $200 to $1,400 to first, second, and third year undergraduate students who are enrolled on at least a half-time basis. Fully funding basic grants is a goal we have all been striving to achieve, and this carryover authority would permit us to accomplish this next year.

Second, the administrative burden involved in redistributing these unexpended funds is immense. Before we could determine the exact amount of funds, identify and locate each eligible student, determine the amount of each student's grant, redistribute the available funds, issue approximately 600,000 Treasury checks, and begin the actual mailing of these checks to students, it would probably be February of 1976.

Finally, it's important to remember that those students we are able to locate would be receiving awards for an academic year which has been over since June 30, 1975, and may not have reenrolled in school. Such awards would make meaningless the statutorily required affidavit stating that students will be using basic grant funds only for expenses related to attendance or continued attendance at an institution of higher education.

Of course, the obvious question is why our estimates were wrong. The answer to that is very complex. Without going into a great deal of detail on our estimation procedures, which is incorporated into my prepared statement, we would like to point out that the information from our application processing system indicates that we could expect to expend about $525 million in fiscal year 1975. However, the institutional reports received to date on expenditures and estimates of funds needed through the end of the 1974–75 academic year show that this level of expenditures would be about $400 million. There are a number of factors which account for these differences, most of which are related to the difficulties inherent in projecting the behavior of students, parents and institutions based on somewhat limited statistical data on financial characteristics of students.

We have made a number of efforts to achieve full utilization of funds. These efforts include the early submission and subsequent congressional approval of the family contribution schedules, the improved design and timing of the printing and distribution of the application form, the public information campaign and the wide-scale training program which we conducted. As a result of these and other efforts, we believe that the program has gained considerably increased acceptance in the postsecondary education community and that this acceptance is essential to the full utilization of basic grant funds.

The problem basically, is that unless the payment schedule exactly anticipates the number of students who will apply for, qualify for, and use basic grants; the expected family contribution of each student; and the cost of attendance for each student, we must face the fact that we may have either a surplus or deficit of funds in a given year.

Given all of the difficulties and the variables which must be considered in developing the payment schedule, we will continue to face this problem every year, unless the legislation is amended, or unless full funding is realized.

As a final note, may I again stress the urgency of timely action on our proposed amendment. Until this issue is resolved, we cannot distribute the 1975–76 payment schedule to institutions. Students will begin requesting schools to calculate their preliminary awards by the middle of March. Therefore, we urge that you keep this very tight time frame in mind during your deliberations.

My staff and I would be pleased to answer any questions you have.

Thank you, Mr. Chairman.

Mr. O'HARA. You say you need an early decision on what is going to be done. In other words, if the Congress were not to agree to the amendment that you have suggested—or to some other amendment which might provide for a different type of carryover—then your office would have to begin immediately making the computations and the necessary arrangements under the law as it stands to pay out the balance to this year's recipients.

Commissioner BELL. Yes. We expressed our reluctance to do that but we would proceed if that was the decision of the Congress, of course.

Mr. O'HARA. On the other hand, the Congress could adopt the amendment you have agreed to. If it does it soon enough, that could be fed into the calculations of the maximum amount of grant and average amount of grant for next year.

Commissioner BELL. Yes.

Mr. O'HARA. In the third alternative, the Congress could promptly adopt some other method of carryover for the funds

Commissioner BELL. Yes.

Mr. O'HARA. For instance, a carryover to SSIG. I am not suggesting that. I am simply using it as an example.

Commissioner BELL. Yes.

Mr. O'HARA. Or work study or something else of that nature, all right.

In that event, though, it would have to be done—at least, you would have to be advised very quickly that we were not going ahead with your amendment, although there might be a little more of a time frame—no, you would have to begin the distribution under the present law unless something happened quickly.

Commissioner **Bell.** Any change that you made which affected the payment schedule would have an effect on us. Whatever alternative you elected, if you didn't like ours and picked another one.

Mr. **O'Hara.** Mr. Brademas was unable to be present this morning. He is a member of the subcommittee. He asked me to request some data from you as a submission for the record. I will give this to you afterward but he would like to know the amount of BEOG dollars expended at each institution for 1973–74 and 1974–75, the number of BEOG recipients at each institution during each of those two academic years, and aggregates of this data by institutional type and by State.

Commissioner **Bell.** Yes.

Can we supply that, Peter?

Mr. **Voigt.** At this point, that would be an estimate because the institutional funding system is set up so that we meet the entire entitlement requirements within each institution for the academic year but it would give you pretty good data on actitivies in the distribution of funds to date.

[The information requested was submitted by the Office of Education. Because of its bulk, it was not made a part of the printed hearing record, but it is available for inspection at the subcommittee office.]

Mr. **Quie.** It seems to me, Mr. Commissioner, you have three options. One is to carry it over like we did last year.

Commissioner **Bell.** Yes.

Mr. **Quie.** The second one would be to follow the law and give it to the students who qualified.

Commissioner **Bell.** Right.

Mr. **Quie.** The third one would be to revert back to the Treasury again.

Commissioner **Bell.** Right.

Mr. **Quie.** Now I imagine everybody in higher education would be opposed to it reverting back to the Treasury.

Commissioner **Bell.** I would be surprised if they weren't. [Laughter.]

This would require a change in the law, of course, which I am sure you know.

Mr. **Quie.** If we did not change the law, the one option of giving it to the students is sort of like a bonus.

Commissioner **Bell.** Yes. We would then issue the 600,000 Treasury checks.

Mr. **Quie.** We give bonuses to veterans. It would be the first time there would be a bonus for being poor enough to get a BEOG grant. While it may be considered in the minds of some people as a way of chastising the Office of Education for being farther from the mark this year than last year, it really doesn't solve anything in improving education.

Commissioner **Bell.** I reviewed our track record as estimators and I am certainly not here to brag about it, Mr. Quie. [Laughter.]

Mr. **Quie.** I understand they don't want to hire you at the weather bureau. [Laughter.]

Commissioner **Bell.** I think we are a little better than the weather bureau. But not much. [Laughter.]

I might point out—maybe this is by way of excuse as well as explanation—that I came on the scene after this had been well established. We had the assistance of the planning department of the office of the Secretary and also worked closely with some of the expert statisticians in OMB. Note how I try to spread some of the blame here for our estimates. [Laugnter.]

Seriously, the problem of estimating how many can qualify, and then out of that number how many will apply, and out of that number how many will actually get a grant, and out of that number what the size of the actual grant will be, and out of that number those that go to school and how long they will be there and, therefore, how much of the grant they will use, all this makes the estimating process an extremely difficult one. That plus our lack of experience in the shifting economy presents a problem.

Now I have asked: How do we know we will be any better next year with these estimates? Will we go way over in the other direction because of unemployment and other economic factors that are different from what they were a year before?

I think some means needs to be established in handling these imbalances. We are never going to come down real close, that notwithstanding the fact that we have to gain more sophistication and be better than we have been in this estimating. It is a very, very difficult process and the more I have gotten into it, the more I have been a little more sympathetic with the staff when they came to me and said: "Guess what? We missed it by 20 percent again."

Mr. QUIE. The one option that it seems to me has any validity at all would be to carryover. I kind of gather from the chairman that there is a possibility in the carryover of putting it into SSIG or some other program rather than BEOG within that one option.

Commissioner BELL. I might point out that full funding would solve the problem of the carryover considerably, if we got up to full funding with it.

Mr. QUIE. How would full funding solve the problem of carryover? You have to make the same estimates, don't you?

Mr. COOKE. The way the law reads, if each student gets his full amount under the law, if you underestimated you would have to go for a supplement. If you overestimated and you had the money to carryover, you wouldn't carryover. It reverts back to the Treasury.

Mr. QUIE. In solving that problem, it seems to me we could go the road we have in a number of other programs. We have done it with Commodity Credit Corporation and Agriculture. It doesn't make any difference how much oversupply there was for wheat, for instance. You went ahead and paid. You went through the loan program.

Or under the GI bill, it didn't make any difference how many GI's took part in it. You paid the bill. That was a contract.

We could go that route, too. We could set up the formula and make the payments and whatever it cost, the Federal Government pays. Then you don't have anything over or under.

Commissioner BELL. We think it is a great compliment to OE that you assumed we could estimate this precisely and we are a little red faced that we haven't done better than we have with it.

Mr. QUIE. Would you be able to say whether you support or don't support funding BEOG if you don't get the bill?

Commissioner BELL. I think I better defer response to that.

Mr. QUIE. If you had the carryover and used it for another program, I recall substantial animosity toward BEOG by the supporters of

SEOG, work study and NOSL. Especially SEOG. I don't know what the feeling of supporters of SSIG was because that was a new program at that time as well.

Is there any possibility if we set the pattern of carryover, but to another program, it would build in a means of BEOG not working so there would be a carryover to the other programs and, therefore, they would benefit by the estimates?

Commissioner BELL. I suppose that is possible.

Would one of you respond more definitely to that question?

Mr. HERREL. In reference to carrying over the money for the other programs, that is a long legislative process and could be a solution but I don't think a good solution in this particular respect, because we have $135 million that we must determine immediately as to what we will do with it.

Commissioner BELL. I would just point out that if you take a program like college work study—I understand that there may be some that would correct me on this—I understand that the institutions are having a hard time coming up with the matching percentage. I think, as you weigh options, you may want to weigh whether or not if you dump it into another program like college work study, if they could raise the 20 percent to match it——

Dr. PHILLIPS. Following up on that, one needs to be aware of one of the ongoing problems in work study being this whole question of making sure that you are not competing with jobs in the private marketplace. One has to weigh that against the idea of moving in that direction.

With respect to SSIG, I think you would have to bear in mind that it is a 50–50 matching program so if you suddenly, very late in the fiscal year award cycle, infused a large amount of money into that program there is a real question as to whether it could really have a desired effect in terms of all the States being able to match the money quickly and meet the other program requirements and you might further delay the money reaching the students.

Mr. QUIE. And every State still doesn't have their own program so the students would lose out in those States.

Dr. PHILLIPS. Yes.

Commissioner BELL. Yes.

Mr. QUIE. What would be the maximum if there was no carryover, one, and second, if there was a carryover?

Dr. PHILLIPS. With the carryover, we are talking about full-funding payment schedule for the first three classes, part time and full time, maximum award, $1,400, and an average award of $785 or something in that neighborhood.

Without the carryover, Peter, would you respond?

Mr. VOIGT. Without it, we presently estimate that we would roughly have the same funding level as this year, a maximum of around $1,050 or perhaps somewhat higher, and an average award in the neighborhood of $670 to $700.

Mr. QUIE. Thank you. My own feeling is I think we ought to have the carryover again but I would like to amend the act so that we meet the commitment so that the colleges can go ahead and use.

Mr. O'HARA. I would like to make this uncontrollable.

Mr. Erlenborn, do you agree?

[Laughter.]

Mr. **Erlenborn**. Mr. Chairman, if you are yielding just to me to ask a question——

[Laughter.]

If you are proposing a question, I think I might point out that I am not a witness here. [Laughter.]

I presume you are recognizing me, and I thank you, Mr. Chairman.

I really don't have many questions but let me ask: I presume that the proposal you come here with today has been cleared through OMB and is an administration proposal.

Commissioner **Bell**. Yes.

Mr. **Erlenborn**. Is this a one-shot deal, or would you permanently amend the act so that you won't run into this problem again the next year, Commissioner Bell?

Commissioner **Bell**. Well, we have to solve the problem on a permanent basis.

I think the thought was maybe the problem could be addressed as we look at the act, which is expiring, and we will be writing new legislation, anyway.

Mr. **Erlenborn**. The language you proposed is only to take care of this 1 year or is it——

Commissioner **Bell**. No, it is permanent.

Mr. **Cook**. You have two tracks we are going down to try to deal with the problem.

One is amending the authorizing legislation, which would be, in essence, a permanent change, so you didn't run into this problem all the time.

Of course, if we went and got full funding, the problem doesn't occur, anyway, as I said earlier.

But also, at the same time the Secretary has sent a letter to Mr. Flood and asked him to consider dealing with this in the appropriations process. That would be a one-time-only shot.

We think it is preferable to get an amendment to change the authorizing legislation.

The problem we see is the question of time, as you are quite well aware, and the fact that we are under the gun to get the payment schedule out for next year for the students that are in college at this moment.

Dr. **Phillips**. If I could follow up on that, I think the last count was something in the neighborhood of 250,000 applications on hand from students now who would like to have their application processed and be in a position to know what kind of a payment they could qualify for.

So it is not just urgent for our administrative convenience. It is urgent from the standpoint of making the program work for students as a foundation upon which to build other components of student aid.

Mr. **Erlenborn**. I realize that we are really at the point now where most students are trying to put their aid package together. This is a very important part of it. I think, in fairness to the students, we should resolve this rather quickly.

Mr. **Voigt**. The count that Mr. Phillips mentioned was from the middle of last week. As of this morning, we have received 400,000 applications.

Mr. **Erlenborn**. I think that is very eloquent testimony, and this committee and Congress better act quickly.

In my trips home, I am contacted by the parents of students who are trying to decide just what they will have available for entry, hopefully, to school this fall if they can put the aid package together. It is not fair to them if we don't answer those questions rather quickly.

Thank you, Mr. Chairman.

Mr. O'Hara. Mr. Simon.

Mr. **Simon**. You mentioned the 400,000 figure. Of that, how many will be eligible?

Mr. **Voigt**. At the moment, it is an estimate, but judging from last year's eligibility rate, I expect at the end of the year it will be about 60 percent.

Mr. **Simon**. So you are talking about 240,000 and that is of a total student enrollment of what number in the United States?

Mr. **Voigt**. That covers the first——

Commissioner **Bell**. About 10 million inhigher education.

Mr. **Voigt**. However, basic grants are only available to the first three classes in undergraduate education.

Dr. **Phillips**. This is only the first wave of applications. Applications were distributed nationally at the end of January and we are just now getting the first big wave of completed applications.

There is extensive training going on right now with high school counselors and financial aid officers which we expect will generate a very large volume.

Mr. **Simon**. Do you have any idea of what kind of number you are talking about ultimately?

Mr. **Voigt**. We are estimating this year we will have approximately 2 million applications in total for the year. They are coming in at about 106,000 a week at the moment.

Mr. **Simon**. Again you anticipate about a 60-percent eligibility?

Mr. **Voigt**. Yes.

Mr. O'Hara. Mr. Esch.

Mr. **Esch**. Thank you very much, Mr. Chairman.

I read your testimony with interest. I have no questions. The evidence that you presented is an indication that the program will expand greatly next year, especially because the number of individuals eligible will expand greatly based on the economic situation. I hope you are taking that into consideration.

Commissioner **Bell**. We surely are. It is a great concern to me how to take that in consideration to make our estimates more accurate.

It is a difficult problem. The program is new.

I am also concerned, Mr. Esch, that we try as hard as we can to anticipate these problems and come before you. I am aware that we are here saying again we need prompt action and we need to give you as much advance information and notice as we can.

I hope that we can get off from this short fuse situation that we have been operating on. I am going to do my best to correct that.

Mr. **Esch**. I am sure you are and I think that reflects on Mr. Quie's comments and many other individuals in this room. It is our purpose to give predictability to the field in this and other programs.

We haven't done that as yet and perhaps this is a major problem that our financial aid officers have in trying to service our clients out there. I would think it perhaps goes back to legislative reform, Mr. Chairman, and perhaps that may be the only method through which we will bring about predictability in the field.

I think all of us share a mutual goal. Sometimes the bureaucracy has a tendency, even as efficient as you may wish it to be, to not always be as efficient as some of us who sit in an oversight position or those who sit in a functional position feel it should be.

Commissioner **BELL**. From where I sit, Mr. Esch, in getting the clearances in the bureaucracy and the Department and OMB and so on, sometimes it takes longer than you would like it to take to get those decisions made in the administration before I can come before you.

Mr. **ESCH**. That may be the most widely accepted statement we have had before the committee all year long. [Laughter.]

Thank you very much, Mr. Chairman.

Mr. O'**HARA**. Thank you very much, Commissioner. We appreciate having heard from you and we will try to take some prompt action on your request.

Commissioner **BELL**. Thank you.

I would just like to say that this committee, as you know, is having a profound impact upon higher education in the United States. I think a very good impact. I feel the Office of Education has a responsibility to work as closely with this committee as we can. I will do everything that I can do to do that and keep the communication lines open to you and maybe improve our performance from where it is.

Mr. O'**HARA**. Let me just ask for one more piece of data, if someone in your shop could get it to us this afternoon. That is the amount of approved requests for College Work Study funds this year as compared to the appropriation.

Commissioner **BELL**. We can pull that easily.

Dr. **PHILLIPS**. I can give you that now. The approved Federal request level for 1975–76 is $581,699,000 in college work study. That's the aggregate panel approved amount.

Now the original request was $705,512,000.

The total funds available were $300,200,000. The authorization level was $420 million.

Mr. O'**HARA**. So the amount of approved requests not only exceeds the amount available but exceeds the authorization.

Dr. **PHILLIPS**. True.

Mr. O'**HARA**. Thank you very much.

Mr. O'**HARA**. We are going to be hearing with respect to the proposed new need analysis regulations from the College Scholarship Service, the American College Testing program, and the National Association of Student Financial Aid Administrators.

The chairman would like to suggest that the spokesman for each of these groups take a place at the witness table. What the Chair would like to do then is ask each of the organizations to present their statement in the order in which I gave their names and then ask members of the subcommittee to refrain from questioning until all three witnesses have made their presentations. Then, at that point, we can question them en banc.

So I would like to ask the spokesman for the College Scholarship Service, American College Testing program, and the National Association of Student Financial Aid Administrators to take places in the front row and at the witness table.

We would like to hear first from Dr. Sidney Marland who is appearing on behalf of his organization, the College Entrance Examination Board. Welcome back to the subcommittee.

STATEMENT OF SIDNEY P. MARLAND, COLLEGE ENTRANCE EXAMINATION BOARD

Dr. **Marland**. Thank you, Mr. Chairman and members of the committee.

I am here as president of the College Entrance Examination Board. We are greatful for this opportunity to be heard on a serious problem affecting the integrity and freedom of higher education in the United States.

Two of my colleagues from the board—Mrs. Lois Rice, vice president for Washington affairs, and Mr. James Nelson, vice president in charge of the CSS activities within the College Board—join me.

After I finish my introduction, I would be pleased to introduce Mr. Robert Huff, who is the principal elected official of the College Scholarship Service.

My brief remarks this morning address what I feel to be a fundamental issue in the conduct of public and private financial support for students in postsecondary education.

The Office of Education recently has published proposed regulations which would arbitrarily set a universal Federal standard of financial need under which families or students are found eligible for Federal student aid funds distributed by the Office of Education and allocated to colleges and universities for administering aid to qualifying students. I am wholly mindful of the regulatory authority and burden of the Commissioner of Education and the essential stewardship which he must exercise in his accountability to Congress and the people. There are few people more mindful than I of this awesome stewardship. Yet the issue now drawn, as I see it, is the extent to which Government shall exercise regulatory power over the institutions of higher education, both public and private—as well as over States—in the complex, sensitive, and necessarily individualistic processes of student aid. These processes are now being very effectivly carried out on our thousands of campuses, large and small, public and private, by competent professional financial aid administrators in a voluntary system of cooperation.

This voluntary system of self-discipline and standard setting for the uniform assessment of student need has been working well for over 20 years. The instrument used for the uniform assessment was developed by the College Scholarship Service, an arm of the College Entrance Examination Board, and founded by the institutions concerned with improving the administration of student aid. The CSS system has worked well, and has been supported by government and colleges alike, since well before the emergence of a Federal presence in student assistance. Since Federal authority and funding became significant, starting in the midsixties, the mutual respect for and reliance upon the philosophy of a free, voluntary system of standard setting has been warmly and cooperatively sustained by USOE. Individual professional student aid administrators, college presidents, State program directors, school counselors, and others serving as elected delegates to the College Scholarship Council have acted with openness and high public responsibility to define and administer from year to year the "standard setting." This standard setting this year responded to the reality of an inflated economy coupled with recession as the CSS table of parent contributions was developed. The Office of Education has for the first time, taken exception to this table, believing it asks too little of middle-income families. The Office of Education necessarily must cut the coat to fit the cloth of its budget each year, and this is normal. But the CSS must calculate the best possible estimate of the true need, whether or not funds are available. It is not meant to be a rationing system.

The proposed OE regulations for the determination of students' needs would now set aside the long-standing College Scholarship Service and the American College Testing Program as "private systems." Federal officials have been quoted as saying "we must not let private agencies govern the use of public funds." I would favor the more exact term "nongovernmental systems," as distinct from "private." The truth of it is that these nongovernmental agencies have with considerable success and with considerable savings to the Federal Government constructed and administered standards for the equitable allocation of student aid funds to needy students for two decades, with the majority of grant funds still coming from non-Federal—State, local, and institutional—as well as private sources. It is my understanding that the regulations now proposed might eventually restrict the allocation of these non-Federal funds, for reason of the necessary packaging of the resources that colleges must arrange.

The College Scholarship Service and ACT now administer through their instruments and institutions approximately $2 billion a year, to 1.8 million students participating in student aid programs at more than 5,000 institutions of postsecondary education. This represents approximately 80 percent of the universe of applicants for need-based student aid. The balance of applicants are served by institutional and State systems, equally constrained by the proposed regulations. The costs of this program, met by funds generated by modest fees to the participating students and institutions, total approximately $10 million a year including printing and distribution of forms, guidance and training materials, central electronic computation services, research, administrative and associational participation of the membership. It is very unlikely, in my judgement, that the Federal Government could replicate this process and the services involved for twice this annual rate of expenditures, given the extensive voluntary manpower participation by the very responsible and accountable associated institutions and individuals who serve the nongovernmental process.

Institutions of postsecondary education take very seriously their responsibility and right to make individualized, discretionary judgments concerning the determination of student financial need, within the established protocols of the Federal guidelines and the "private" systems. This necessary freedom is viewed by professional student aid officers and college presidents as not unlike other aspects of academic freedom, including curriculum and teaching procedures. President Kingman Brewster of Yale recently stated his fear that ". . . there is a growing tendency for the central government to use the spending power to prescribe educational policies." He called this approach of Federal encroachment one of "now that I have bought the button I have a right to design the coat." The colleges and universities—indeed the totality of education in the United States—have served well the needs of America without Federal control for well over 200 years.

Acknowledging that this multibillion-dollar social force of student aid has reached serious proportions of complexity and unnecessary duplication, the college board, a year ago, joined in activating a task force of some 28 interested institutions and agencies to correct—again through responsible voluntary action—the redundancies and ambiguities that had crept into the standard-setting system over recent years. This national task force on student aid problems has become familiarly known as the Keppel task force after its chairman, former Education Commissioner, Francis Keppel. Key members of the OE staff have contributed actively to its deliberations. The products and recommendation of the task force will materialize over the next few months, hopefully ameliorating a number of the problems now plaguing the student aid delivery system. One of the principle objectives is to establish a single, uniform standard for determining parental ability to pay—one that is widely understood and accepted to be fair and reasonable for use in all student aid programs. With the full cooperation and goodwill of all concerned partners to the process, voluntary solutions to the problems as distinct from governmental prescription are now within our grasp.

So the question comes down to this: Is there instead to be a newly established Federal power over the administration of student aid, with the corresponding increases in Federal administrative costs, and the exclusion of institutional and State cooperation, initiative, and responsibility? It is a sobering question, not solely in itself, but in the implications it carries for the totality of the Federal power and presence in education. I know this subcommittee appreciates the dimensions of this trend. We urge you to weigh closely the large and extraordinary extension of Federal power over higher education that is about to be exercised by the Office of Education through the installation of its regulations now before us.

Finally, I urge caution upon my esteemed former colleagues in the executive branch. Having now sat on both benches, both of which are dedicated to identical goals in the conscientious service to higher education finance, I must record my very strong conviction that the free and deeply responsible colleges and universities of this country are better able to fashion the delicate and highly individualistic responses to student financial need, institution by institution, within reasoned and regulated limits, than any centralized governmental agency could possibly achieve. This plea, therefore, Mr. Chairman, is placed not only before you and our other lawmakers who will judge the evidence, but before my esteemed friends in HEW and the Office of Education who know well the threshold of educational integrity and freedom over which they seem about to step.

Mr. Chairman, with your permission, I would like now to turn to Mr. Robert Huff who will speak directly to the impact of the proposed OE regulations on students, parents, and institutional members of the College Scholarship Service Assembly. Mr. Huff is the director of financial aids at Stanford University, Stanford, Calif., and currently serves as vice chairman of the College Scholarship Council and Assembly. He has been a director of financial aids for the past 17 years; served as president of the Western Association of Student Financial Aid Administrators as well as in the same capacity for his State professional association; is currently editor of the Journal of Student Financial Aid and for a 3-year period concluding last year, was the director of professional training for the National Association of Student Financial Aid Administrators. Additionally, he was a member and research director of the Cartter panel which in the early 1970's reviewed the need analysis rationale and procedures of the College Scholarship Service as well as their application and offered certain recommendations for their improvement; he is a member of the advisory committee to the California State scholarship program; and, he has served as a member of advisory panels which assisted OE in the preparation of statutory regulations for the administration of the national direct student loan and the college work-study programs.

These credentials certainly establish Mr. Huff's experience and qualifications to discuss the subject before us.

Mr. O'HARA. Dr. Huff, will you proceed?

STATEMENT OF ROBERT P. HUFF, COLLEGE SCHOLARSHIP SERVICE COUNCIL AND ASSEMBLY

Dr. HUFF. Mr. Chairman, members of the subcommittee, I am pleased to have this opportunity to speak on behalf of the College Scholarship Service—a membership organization within the college board structure. CSS policies and programs reflect the considered opinion and judgment of this active membership.

CSS has just concluded a series of regional meetings around the country, and the strong consensus of our membership is that the proposed Federal need analysis standard is untimely, unwarranted, and counterproductive to the objective of seeing that needy students get the money they must have in order to continue their education.

The council of the College Scholarship Service adopted a resolution in January which was presented to the Office of Education urging them not to publish the proposed new regulations at this time. In that resolution the council identified the probable consequences of the implementation of a Federal standard of need analysis. The proposed regulations are intimely because they greatly complicate and disrupt the student financial aid decision and delivery process. They are unwarranted because there is no evidence to indicate that they are necessary, and because they are in conflict with the attempts of the educational and financial aid community to simplify and make more manageable the ways in which students apply for and are awarded financial support. The council believes that the proposed rules are counterproductive in that OE could better serve its objectives by directives that would assure that Federal financial assistance goes first to those students from the most economically distressed circumstances.

At the same time the CSS Council delivered this message to OE, it encouraged its members to make their student aid resources available to those students with the greatest financial need.

It must be emphasized that the principles of proper aid administration adopted by members of CSS stipulate that grant support should go first to those students with the least ability to pay. At the time that the new CSS tables were published last fall, the council reminded member institutions that application of its new standards should not be at the expense of those students who come from the lowest income levels. This principle was unanimously reaffirmed by the College Board trustees and by the full CSS membership assembled at the annual meeting.

As President Marland has indicated, the CSS system of voluntary standard setting in need analysis has worked well through the years. The most recent modifications in CSS need analysis do result in expecting dramatically less from parents than was true a year ago. CSS has been criticized by some for these changes, but not by the vast majority of financial aid administrators who prefer to tell parents and students that they do not have the funds to meet their need rather than to try to persuade them that they have no need. The fact is that the changes were overdue in correcting for the staggering effects of inflation; in recognizing that social security has become a major tax burden; and, in adjusting the Bureau of Labor Statistics data base to expect a more realistic amount of support from parents at a moderate standard of living.

These CSS modifications were based on careful study by experts and consideration by the appropriate deliberative bodies of the organization.

The result is a stronger CSS rationale, and a realistic measure of what families can pay in "real dollar" terms for postsecondary education. You should known that OE had representatives on the CSS Committee as well as the council which ultimately approved the changes. We believe that any standard of need analysis—including the proposed Federal standard—should stand the same kinds of tests of expert development and public review that are undertaken by CSS each year.

To this point, there has been no indication of expert or economists' review denying the CSS rationale or supporting the proposed standard.

The proposed Federal standard recognizes only the change in Consumer Price Index over last year's CSS system, and fails to recognize the other critical improvements that now more reasonably represent what a family can pay. Office of Education officials have expressed a concern about "shifting the burden" from parents to the Government, but our evidence indicates that it is the students who have to carry the extra load.

In a study on "willingness versus ability" to pay, CSS found that parents, on the average were contributing about one-half of last year's CSS ability to pay figures. Even current CSS "ability" expectations exceed the average "actual" contributions reported in the study.

When parents fall short of the amount of support expected, the student is forced outside of the aid office to find loans and work to make up the difference. The financial aid administrator has to have a realistic measure of need before a student can be helped.

The newly proposed OE standard, or the automatically approved BEOG and income tax standards, in effect mandate a significantly greater sacrifice on the part of students and parents than does the CSS or ACT—it is hard to understand, by the way, how OE can justify automatic approval of the BEOG and income tax standards which cannot withstand the same tests of consistency and equity that will be imposed on CSS, ACT, and other external systems.

The tables attached to my statement illustrate the comparisons and differences which will force aid administrators, and eventually you as Members of Congress, to explain to students and parents why USOE believes that they can contribute $300 to $500 and more toward education this year than they otherwise would be expected to contribute.

It will have to be a persuasive argument not to baffle low- and middle-income Americans alike who are confronted with the effects of one of the worst inflationary periods in our history. There clearly could be no worse time for a change of the kind proposed to occur.

On the way here yesterday, on the plane, I was reading freshmen aid financial aid applications from approximately 50 students applying to my institution next year. There is a significant degree of unemployment in California where my institution is located. It is close to 10 percent. Many parents who are currently employed are saying in their applications: "I'm not sure I'm going to be working tomorrow" or: "I may have greatly reduced income."

I think this is the general situation in which these changes are being made.

These proposed OE standards will prevent the lifting of unrealistic financial burdens from the backs of students and parents because they hide the need—deny the student access to aid resources—and act as a clamp on the expansion of badly needed aid resources, Federal and non-Federal.

I am convinced that the ramifications of the proposed Federal standards go far beyond just the immediate distribution of Federal funds. If these standards are imposed, we can expect that others will be forced to adopt them, with a resultant cutback in State support as well as institutional and private student assistance. This kind of action and reaction will directly impact on all of our efforts to achieve maximum access to and choice of postsecondary education for students of limited means. By trying to hit the OE "benchmark" we may miss the mark all together.

Unquestionably, all of us—this subcommittee, the Office of Education, and the CSS—have common goals and objectives in this matter which is under consideration today.

CSS wants to help achieve those objectives with the development of the best possible standard for determining parental ability to pay—a single, uniform standard that can be widely understood and accepted to be fair and reasonable for use in all student aid programs. We are working hard toward this, in good faith, through the cooperative efforts of the Keppel task force. I firmly believe that this is the only proper approach to resolving the kinds of issues which have caused OE to bring the proposed regulations forward.

Separate and hastily conceived Federal standards are likely to produce more problems than they solve.

In conclusion, it is respectfully urged that implementation of the proposed regulations can be postponed and the circumstances which they seek to redress be approached with participation and cooperation from all those concerned with the educational process. The soon to be published recommendations of the Keppel task force promise to provide us with a consensus model for a national need analysis system. We would suggest that this model will provide the best possible "benchmark" for the U.S. Commissioner of Education's use in reviewing and approving a standard of need analysis for use with Federal programs of student aid.

I very much appreciate the opportunity to present these views which have been formulated through the help of dozens of my colleagues in CSS. You may certainly count upon CSS continuing to work with OE to achieve the goals and objectives to which I have referred. They can best be achieved by postponing the proposed OE regulations.

Thank you.

[The information referred to follows:]

TABLE 1

COMPARISON OF CSS OE/FEDERAL, BASIC GRANT, AND INCOME TAX RESULTS FOR CALCULATING EXPECTED PARENTAL CONTRIBUTION AMOUNTS, 1974-75 (FOR STUDENTS ENTERING 1975-76)

Income levels before taxes	Proposed OE/Federal 1974-75 [1]	Basic grant 1974-75 [2]	Income tax 1974-75 [3]	CSS 1974-75 [4]
$3,000	0	0	0	0
$6,000	0	0	$130	0
$9,000	$170	$450	600	0
$12,000	650	950	1,080	$230
$15,000	1,080	1,660	1,650	710
$18,000	1,730	2,360	2,320	1,220
$21,000	2,580	3,030	3,070	1,880
$24,000	3,460	3,690	3,890	2,790

[1] Based upon 20 percent adjustment of 1973-74 CSS table F amounts.

[2] Based upon parent contribution only under 1975-76 basic grant standards.

[3] Based upon 1974 standard U.S. income tax rates for a family filing a joint return.

[4] Based upon CSS table F amounts.

Note: Assuming in all cases, typical 3-child families, 1 student in college, no unusual expenses, and no contribution from net assets of $10,000. Student resources would need to be added in each case to arrive at a total family contribution.

TABLE 2

TABLE OF DIFFERENCES

Amounts to be added to CSS Expected Parents' Contribution for the 1974-75 processing year, in order to achieve the proposed federally-approved standard for use with federal student aid programs

Adjusted Effective Income Levels		Number of Dependent Children 1	2	3	4	5
		No change -- Assuming $-0- levels of Parental Contribution				
$ 5,000		$+ 40				
6,000		+270	$+ 20			
7,000		+480	+190	$+ 60		
8,000		+430	+410	+210	$+110	$+ 20
9,000		+390	+410	+400	+260	+150
10,000		+330	+400	+420	+420	+310
11,000		+330	+380	+410	+420	+400
12,000		+370	+380	+390	+410	+400
13,000		+420	+400	+410	+400	+410
14,000		+480	+460	+440	+430	+420
15,000		+540	+530	+490	+480	+460
16,000	Federal aid	+530	+610	+560	+530	+520
17,000	resources	+440	+650	+650	+610	+580
18,000	typically	+330	+610	+720	+710	+670
19,000	exhausted	+220	+500	+720	+790	+770
20,000	before	+110	+390	+660	+810	+840
21,000	reaching	--	+280	+550	+760	+850
22,000	students	-110	+170	+440	+650	+790
23,000	with need	-220	+ 60	+330	+540	+680
24,000	at these	--	- 50	+220	+430	+570
25,000	levels.	--	-160	+110	+320	+460

Amounts to be added to CSS contributions above the $-0- levels.

Mr. O'HARA. Our next witness will be Joseph Henry, who is speaking for the American College Testing Program.

STATEMENT OF JOSEPH HENRY, AMERICAN COLLEGE TESTING PROGRAM

Mr. HENRY. Mr. Chairman, I am Joe Henry, program vice president, Division of Student Assistance Programs, American College Testing Program.

The American College Testing Program has provided a centralized need analysis service since 1967 which is currently accepted by over 3,000 postsecondary institutions. It is in that capacity that I appear before you today to speak to some aspects of the proposed Office of Education regulations published on February 19, 1975.

Perhaps more importantly, I am here to provide the subcommittee with any information that may be helpful to you in your deliberations.

This is, as you know, a many-faceted issue. We recognize the Commissioner's historical authority to approve need analysis systems for use with Federal programs and we recognize the need for this authority.

Up to the present time, a variety of need analysis systems and methods have been used in estimating a student's financial need for Federal aid funds. These methods and systems have, up to the present time, produced a wide variety of estimates for the same student. This inconsistency in terms of need analysis results in the same student applying for Federal funds and it has always seemed to us to be indefensible.

While there are extremely promising efforts underway related to the Keppel task force, at the present time to remedy this problem it really hasn't been resolved to date and it is a crucial issue.

Insofar as the regulations support this consistency, the effect would be beneficial.

I might add that the regulations do not support this consistency, as has been alluded to before, with the approval of other systems that do produce inconsistent results.

One of the major components of this issue is the ability to pay versus the distribution or rationing concept. A consensus of what constitutes ability to pay has been difficult to achieve, as you know. While the two national systems have sound, rational data bases, the real test of the results they produce has been a test of reasonableness amongst aid administrators, students, parents, and others involved in the aid process.

There have been varying perceptions of what ability to pay should be because those involved in the aid process come from different perspectives. Moreover, the ability to pay rules, as they are currently used, do, in fact, dictate the distribution of Federal funds to a large extent.

The Office of Education, as the overall administrator of those funds, certainly has a legitimate interest in their distribution. It would appear that the major problems associated with the current regulations have not altogether to do with some of the intent of the regulations but perhaps more importantly with their timing and the administrative difficulty in implementing the regulations this late in the processing for 1975–76.

We recognize that the Office of Education has gone to some lengths to try to alleviate these problems but they still exist for many, many institutions and agencies. They also exist for ACT and CSS in that, in good faith, we have produced already hundreds of thousands of need analysis reports that will need to be revised in some manner to be effectively used by aid administrators for this year.

I think an additional important potential problem in this area is that we do need to somehow agree upon the best ability to pay concept possible as a clear indication of real need that does, indeed, exist regardless of program distribution requirements. We believe this should not be unilaterally determined by any one partner in the aid process, including the Office of Education.

The last paragraph of section 2 of the proposed regulations, labeled "Coordination with other student aid resources," gives rise to some concern in this area. We believe that it is possible, however, to both articulate and agree upon an ability-to-pay concept and also provide for adequate fund distribution patterns.

What is needed are more forceful and productive and cooperative efforts to do three things:

One, to clearly define program objectives.

Two, to relate distribution techniques to meeting those objectives.

Three, provide an agreed upon ability to pay concept that is clearly articulated and accepted which may or may not be related to the prior two points.

We believe this process to be in the best interest of the students who are, after all, the central focus of the entire procedure.

We believe that the process that affects distribution as well as the ability to pay should be a process that is joined by all participants in the aid community and in the aid process; not just one. That's terribly important.

Please understand in closing that ACT is a service agency. We will accept whatever policy decisions are implemented and we plan to comply with them in an effective nd timely fashion that will best serve the interest of all the participants in the aid processs.

If the regulations are indeed implemented, we hope that the yearly review of system results will be carried forth in an environment of open and shared review amongst all the participants.

In closing, we will be glad to furnish any additional information that we can which will be helpful in the review process.

Mr. O'HARA. Thank you.

Now we are going to hear from Mr. Edson W. Sample, president of the National Association of Student Financial Aid Administrators.

Mr. Sample, please go ahead.

STATEMENT OF EDSON W. SAMPLE, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mr. SAMPLE. Thank you, Mr. Chairman.

I am Edson W. Sample, president of the National Association of Student Financial Aid Administrators and University Director of Scholarships and Financial Aids at Indiana University. I am accompanied by Mr. Grant Curtis, director of financial aid at Tufts University; Mr. Richard Waters, director of financial aid at Rutgers University; and Mr. Thomas Butts, director of financial aid at the University of Michigan. They are seated over here and I hope in the question and answer period we may call upon their expertise as well as these at the table.

We are pleased to be invited to present our views on the subject of need analysis. This hearing is particularly relevant because of the current discussions between the financial aid community and the Office of Education relative to the determination of student eligibility for funds under the provisions of the supplemental educational opportunity grant, college-work-study, and the national direct student loan program.

Since the time of your last hearing on the subject of need analysis, several changes have occurred which place a somewhat different light on the matter. For the past 6 months or so, a working committee under the aegis of the national task force on student aid problems—known also as the Keppel task force—under the chairmanship of Francis Keppel, chairman of the board of the General Learning Corp., has been holding extended deliberations concerning the current state and desired future directions of need analysis. Work has progressed on the development of a "consensus model" of measuring parental ability to pay for postsecondary education. The task force will have its final recommendations in May.

As you also know, the College Scholarship Service last August announced significant changes in its system of need analysis in order to more accurately reflect family ability to pay from its evaluation of financial strength. The American College Testing program followed with a cost-of-living adjustment and a few minor changes in rationale which caused their results to be similar to the CSS outcomes. The ACT results were modified less than those of CSS because their 1974–75 expectations reflected a more recent Consumer Price Index base and required less adjustment. The CSS changes in expectations from parents, and to a lesser extent the ACT changes, were substantial, particularly in the moderate and above income ranges.

NASFAA is not prepared to say whether the extent of the adjustments made by CSS and ACT were proper or not. Such evaluation can only take place through utilization of the systems in specific individual family situations, no two of which are identical, not simply by plotting contribution curves on a graph or working out a few sample cases. A year of use will provide the real test of the reasonableness of the new outcomes. One thing is widely agreed upon, however; the 1974–75 CSS expectations were not reasonable for a large segment of the families filing parents' confidential statements. The chairman of this subcommittee has made this observation on numerous occasions. ACT's 1974–75 results were apparently more satisfactory to their users. Some of this greater satisfaction can be attributed to the higher starting base with respect to the Consumer Price Index, and partly to the fact that a large proportion of ACT users are public institutions with lower costs and proportionally fewer aid applicants from families above the median income, where the 1975–76 adjustments are the most significant. In other words, the direction of the changes made by CSS and ACT were in the proper direction; whether or not they went too far remains to be seen. However, the changes seem to be well-based in economic theory and, to the extent possible, in objective economic data.

Following the CSS announcement of changes in contribution curves, the Office of Education took steps to minimize the redistribution of Federal student aid funds between institutions that might result from the greater individual student needs which could be documented on institutional applications for funds. Inasmuch as the ACT changes were not announced prior to the submission of the institutional application for funds, the OE action may have precluded any advantage which might have accrued to CSS users as a result of their lower parental expectations. While NASFAA did not agree with the precise methodology employed by OE to control the review of institutional applications, the intent of the action was undoubtedly justified. Since the institutional application process as presently constituted requires 18-months protections and there is limited funding available to respond to the requests, the outcomes of the review process were probably not greatly different than they would have otherwise been.

The circumstances surrounding the current debate between the financial aid community and the Office of Education have been previously related in correspondence between NASFAA and Commissioner Bell. We have reiterated our concerns in testimony before Dr. John Phillips on February 28. Rather than repeat those arguments against Federal intervention, we are attaching these documents to this statement for the record. However, there are some elements of our position which I would like to highlight.

One of our concerns is the timing of the proposed rule. We acknowledge the desirability of greater consistency in institutional determinations of eligibility for Federal student assistance. However, the proposed implementation of a Federal standard of ability to pay at this particular time presents, in our opinion, unnecessary administrative problems which threaten the timely delivery of student assistance for 1975–76. With one and a half million family financial statements already processed, most of which will have to be recalculated at considerable time and expense, and a number of schools which had already notified students of aid prior to the issuance of the proposed rule, the implementation of the proposed rule will produce delays and confusion concerning next year's aid awards which is apparently not understood by the Office of Education.

As we pointed out in our testimony before Dr. Phillips on February 28, the administrative problems might be more tolerable if the proposed rule were needed in the first place. We believe that OE's fears about redistribution within institutions are unfounded. No institution will receive more Federal funds because of the revised tables of estimated parental contributions. That possibility was nullified earlier. Since few, if any, institutions have sufficient funds to aid all students with need under the old standards, it does not follow that they will suddenly shift their awards from those who have traditionally qualified to those who have only now become classified as "needy" under the new standards. The financial aid community has historically had to delimit the eligible population because of a shortfall of funds. The coming year differs only in the extent of the shortfall. In that delimitation, most aid administrators give priority to the most needy. There is no reason to believe that next year's awards would be any different, even without the proposed rule.

One might ask why the aid community is so adamant about the proposed rule, given the need to restrict eligibility, which the rules obviously would do. We contend that it is inappropriate to manipulate estimates of parental ability to pay in order to keep the eligible population under control. We believe that the utilization of realistic estimates of ability to pay are extremely important in order to reflect the real needs of students, even though the resources available from all funding sources may be inadequate to meet those needs. Otherwise, we delude ourselves that students are relatively well taken care of, and create an unawareness to the pressing need for additional funding. It makes much more sense to us to acknowledge to parents, students, Congress, and the general public that our resources fall short, rather than to suggest to parents and students that they have an obligation and an ability to provide support which is really beyond their capacity. We find that it is much easier for a family to accept the fact that we have insufficient funds than it is to comprehend why and how they should provide support from income and assets that is clearly beyond their means.

The Committee on Need Analysis of the Keppel task force has drafted a number of statements about the process of need analysis, what it is, and what it should be. We commend its statements to you as a reflection of our own position.

Mr. Chairman, your staff does have copies of the Keppel material should members of the committee desire to read it.

The proposed rule would also be more acceptable if the federal "standard of ability to pay" was clearly, or even possibly, an improvement over what we have now from the national services. We would not argue that the national need analysis systems are perfect and beyond the purview of the Federal Government to evaluate and question. Yet the justification apparently being utilized to establish the Federal standard does not appear to be objective, for the economic rationale is not being investigated; the only concern which is apparent is the outcome of any analysis need. Rather, it seems to us, the proposal substitutes one subjective estimate of ability to pay for another, even though the systems presently in use have a data base and economic rationale developed over a period of several years. The Office of Education has apparently assumed that because the new expectations are significantly different than the old expectations, that the old were right and the new are wrong. We would suggest that, if anything, the opposite is true; that is, that the old expectations were too conservative and that the new expectations are much more reasonable in light of the current economic situation.

One other apparent assumption of the Office of Education deserves mention. It would appear that OE feels that it has an obligation to provide the entire amount of resources needed to fill the gap between funding provided from other sources and true student needs. We would suggest that the responsibility is shared with all other levels of government, including the institutions themselves, and that the OE should not necessarily attempt to meet all of the need gap, but only recognize its existence in order that other sources might be appealed to for expansion of funding. If the Office of Education refuses to acknowledge a need that is real, it squelches efforts that might be made to appeal to other funding sources. On the other hand, if the OE will assist by recognizing these needs, alternative sources of funding are much more achievable.

The Office of Education has yet to demonstrate that the measures being proposed for controlling the possible redistribution of Federal funds are any more suitable or equitable than the outcomes currently in effect which they propose to replace. There appear to be several inconsistencies in the proposed rule which cause us to question the underlying rationale. For example, it would appear that the need analysis systems which are proposed to be approved by regulation would fail to meet the proposed criteria for approving other systems. We cannot yet document this expectation, inasmuch as the sample cases to be used in testing outcomes are not yet available for use. However, our knowledge of outcomes which might be expected from either the basic grant or income tax methods suggest that there is a strong likelihood that results from either of these methods would be more than $50 outside the parameters obtained by adjusting the 1974–75 CSS outcomes by 20 percent. It seems to us that if consistency of outcomes is a desired objective of the proposed rule, then the approval of the basic grant and income tax methods seems highly inconsistent. Further, examples that have been computed and compared suggest highly varying results at different income and asset levels. For example, at some points in the income distribution, the expected contribution from the CSS curves is greater than the expectation using the proposed adjustments to last year's curves. There are other indications that the proposed rules do not yield the outcomes which are purported to be an objective of this action on the part of the Office of Education.

NASFAA contends that the action proposed by the Office of Education is unnecessary, inappropriate, untimely, and of questionable capacity to fulfill even their own stated objectives. What do we propose instead?

We believe that the best solution is not to establish for the 1975–76 awarding year a Federal standard as required in the proposed rule. Rather, we accept the Commissioner's own timetable for the submission and approval of needs analysis systems: by June 30, 1975, systems would be submitted; by September 1, 1975, systems would be approved; and the effective date for awards under the approved systems would begin on July 1, 1976. This time schedule will not only resolve the difficulties of implementation at this late date, but will also provide an opportunity for the consensus need analysis system to take final form and achieve acceptance of all concerned parties. We believe the consensus model holds far more promise for providing the consistency of outcome that the OE seeks than the proposed dual level of eligibility and need. And, I should point out, Mr. Chairman, that the Office of Education is a full participant in the deliberations of the Keppel task force. It is our opinion that through mutual cooperation on the establishment of the consensus model and the student common data form that our objectives in this area can best be met.

It is our firm belief that the OE anticipated shifts in Federal funds from low-income to middle-income students will not take place in the intervening year. We believe this to be so for at least two reasons. First of all, the financial aid community is genuinely committed to the concept of helping the most needy students first. Further, since institutional requests have already been controlled and allocations made, the proposed rules do nothing to overcome any perceived inequities between institutions. Therefore, the proposed restrictions of eligibility for Federal funds would seem to be of little value to lower income students at institutions with less adequate funding. In fact, we would suggest that a further limitation of the proposed rule is that it places the struggling institutions and community colleges enrolling large numbers of disadvantaged students which are highly dependent upon Federal student aid funds at a further disadvantage. While institutions with significant aid resources of their own can make up the difference between the Federal eligibility and institutionally-estimated need, other schools will be forced to limit their assistance packages to the Federal maximums. Thus students attending these institutions will be much more effected by the proposed rule, perhaps to the extent of precluding enrollment.

NASFAA does not dispute the appropriateness of OE review and approval of need analysis systems on an ongoing basis. We do object to OE setting subjective standards without adequate documentation or rationale, particularly at this late date in the processing year. We hope that the subcommittee will assist us in convincing the Office of Education that the best course of action is to defer the implementation of the proposed rule for 1975–76 awards and to utilize the schedule in the proposed rule for approving systems for the 1976–77 awarding year.

We appreciate the opportunity to express our views and are available to answer any questions you might have.

[Information referred to follows:]

NATIONAL ASSOCIATION OF STUDENT
FINANCIAL AID ADMINISTRATORS,
Washington D.C., January 24, 1975.

Dr. TERREL H. BELL,
Commissioner of Education,
U.S. Office of Education, Washington, D.C.

DEAR COMMISSIONER BELL: I am writing to express the appreciation of the National Association of Student Financial Aid Administrgrors for your willingness to involve us in the discussions concerning the plans of the Office of Education to become more actively involved in the approval of need analysis systems in the establishment of eligibility for federal student assistance programs. We appreciate the "good faith" that has been displayed by the Office of Education in these discussions, despite the directives of the Secretary that proposed rules not be shared with the external community prior to their publication in the *Federal Register*. We particularly appreciate the interest that you have personally shown in the specific problems of student eligibility, and regret that it was necessary for you to leave the meeting on January 10th before the in-depth discussion got underway. We did appreciate the attendance of various members of your immediate staff throughout the day.

Because all of the discussions on January 10th were informal and unrecorded, I felt that it would be appropriate for me to brief you in writing about NASFAA's position with respect to the proposed USOE involvement in the approval of need analysis systems. While we understand completely the reason for your concern about the manner in which the responsibilities delegated to the Commissioner by Title IV are carried out, we cannot help but feel that the Office of Education is over-reacting in this particular situation. Certainly, the Federal Government has both a legal and moral responsibility to satisfy itself that the purposes of the student assistance programs are being carried out to the fullest extent possible with the tax dollars that are available for any given year. In the past, the Office of Education has in essence delegated the determination of reasonable eligibility to the financial aid community, as represented in the national need analysis services' construction of estimated "ability to pay" standards. Apparently, this delegation was felt to be satisfactory until revisions in the College Scholarship Service's system were announced this past August, followed by adjustments in the ACT system somewhat later. While we can understand why the dimensions of the adjustments by the national services led to concern within the Office of Education relative to the impact of the resultant increased eligibility for federal funds, we continue to believe that there are other means of addressing those concerns than the one which is apparently on the verge of being proposed in the *Federal Register*.

In your opening remarks on the 10th of January, you indicated a personal recognition that more resources for student assistance were required to meet the real needs of students. The implications of a "federal standard of ability to pay" which will apparently be incorporated in the proposed rules on approved need analysis systems will, in our opinion, "mask" the real need for student assistance resources by over-estimating the ability of families to contribute to educational costs of their offspring. We believe that the utilization of realistic estimates of ability to pay are extremely important in order to reflect the real needs of students, even though the resources available from all funding sources may be inadequate to meet those needs. Otherwise, we delude ourselves that students are relatively well taken care of, and create an unawareness to the pressing need for additional funding. It makes much more sense to us to acknowledge to parents, students, Congress, and the general public that our resources fall short, rather than to suggest to parents and students that they have an obligation and an ability to provide support which is really beyond their means. We find that it is much easier for a family to accept the fact that we have insufficient resources than it is to comprehend why and how they should provide support from income and assets that is clearly beyond their means. While it may be unfair on our part, it is widely presumed that USOE's primary motivation for the control of eligibility for federal programs through prescribed outcomes for family contribution is to minimize the pressure for appropriations beyond the budgetary plans of the Administration. While we can appreciate the need for fiscal responsibility, and are most willing to support such a goal, we feel that it is inappropriate to manipulate "student needs" in order to achieve that purpose.

We would not argue for a moment that the national need analysis systems are perfect and beyond the purview of the Federal Government to evaluate and question. Yet the procedure apparently being utilized to establish the "federal standard of ability to pay" does not appear to be objective, for the economic rationale is not being investigated; the only concern which is apparent is the outcome of any analysis of need. Rather, it seems to us, the proposal substitutes one subjective estimate of ability to pay for another, even though the systems presently in use have a long established test of reasonableness in the market place. The Office of Education has apparently assumed that because the new expectations are significantly different than the old expectations, that the old were right and the new are wrong. We would suggest that, if anything, the opposite is true i.e., that the old expectations were too conservative and that the new expectations are much more reasonable in light of the current economic situation. One other apparent assumption of the Office of Education deserves exploration. It would appear that USOE feels that it has an obligation to provide the entire amount of resources needed to fill the gap between funding provided from other sources and true student needs. We would suggest that the responsibility is shared with all other levels of government, including the institutions themselves, and that the Office of Education should not necessarily attempt to meet all of the need gap, but only recognize its existence in order that other sources might be appealed to for expansion of funding. If the U.S. Office of Education refused to acknowledge a need that is real, it squelches any efforts that might be made to other funding sources. On the other hand, if USOE will assist to legitimize these needs, alternative sources of funding are much more achievable.

During the meeting on January 10, a number of alternative methods of addressing the legitimate USOE concerns about redistribution of federal student assistance dollars from the population currently served to a less needy recipient group were explored. At that time, we supported in concept at least, two other means of minimizing the disruptive impact of expanded eligibility. One of these was to establish selection criteria to direct the limited federal funds to the most needy students, either through some type of rank-order or a percentile model, the mechanics of which need further exploration. Another approach which was discussed accomplished the same objective by establishing, within the group of "needy" students, some parameters of eligibility for federal funds which would ensure that the "neediest of the needy" were served with federal tax dollars and that the remaining needs were filled to the extent possible by other resources. This latter approach would entail ceilings of gross family income or parental contribution beyond which students were not eligible for federal dollars. These ceilings, either in gross income or family contribution as estimated by the national need analysis services could be established on the basis of federal dollars available, in order to most effectively use those limited resources. We continue to believe that either of these approaches, carefully and jointly developed, would be a more effective and responsible means of meeting the Commissioner's responsibility for effective use of federal student aid resources than would the manipulation of need through the establishment of "federal standards of ability to pay."

Either of these two alternatives has the further advantage that confusion and "do over" work at the institutional level could be averted during the next six months. If student "need" is not manipulated by proposed rules, but only restricted eligibility for federal programs imposed in the manner above, institutions can continue to process confidential financial statements and applications during the response and Congressional review periods for proposed rules and final regulations, stopping just short of notifying students regarding their actual eligibility. Those institutions with sufficient local and state resources can even go one step beyond and advise students of their eligibility, holding up only the notification of the exact nature of their aid package.

Otherwise, the level of "need," or maximum eligibility for campus-based programs is left in a state of uncertainty following a February 1 (or thereabouts) publication of proposed rules for a thirty day public comment period—which we hope USOE will *not* attempt to waive—followed by a week or two of revision as a result of the comments, and a forty-five day Congressional review period. This means that all institutional review of student applications is effectively halted until the end of April, at the earliest. Given the problems accompanying the necessary clearances for publication of proposed rules, it could easily be later. As a result, all student notifications would be extremely late by the time the backlogged evaluations could be completed, attendance opportunities would be uncertain for both the students and institutions, and much confusion and frustration would be present. All the good efforts by USOE to advance the notification of Basic Grant awards and institutional campus-based allocations would be rendered virtually meaningless. We in the aid community would hate to see any of this happen.

In summary, NASFAA would recommend that USOE take no action this year regarding revision of the regulations concerning the approval of need analysis systems, but rather let "nature take its course" in the awarding of funds for 1975–76. We believe that the financial aid community will respond to the increased importance of sound professional judgement for the effective use of federal funds without further constrictions at this time. The funds have been protected from significant redistribution between institutions already, and we would predict that the recipient group will change very little without further action on your part, just on the basis of the limited funds available and the professional dedication which exists to help the most needy students first (at least federal funds). However, if you feel that this is not sufficient to uphold your responsibility under Title IV, we urge you to propose rules to restrict the eligible population on one or more of the bases described earlier, rather than manipulate "need" and add the delays, the extra work, and the great confusion which would result from a "federal standard of ability to pay." In the meantime, we look forward to the development of a consensus model of need analysis now being constructed through the activities of the National Task Force on Studnent Aid Problems (the Keppel Task Force), and the Common Student Data Form being developed by the same group, to bring about a methodology which will be acceptable to all concerned parties for use in 1976–77.

We appreciate the opportunity to express to you our views on this important matter and ask that you give these alternatives your careful consideration before issuing proposed rules in this area. We stand ready to assist in any way to explore the specifics of the options.

Sincerely,

EDSON W. SAMPLE,
President.

STATEMENT BY ROBERT B. CLARK, PRESIDENT-ELECT, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

I am Dr. Robert B. Clark, President-Elect of the National Association of Student Financial Aid Administrators, and President of the Southwest Association of Student Financial Aid Administrators. With me are Mr. John Madigan, President of the Eastern Association, Mrs. Priscilla Light, President of the Southern Association, Mr. John Moore, President of the Midwest Association, and Mrs. Gene Miller, Vice President of the Western Association. We are here today to present our views on the proposed rules for the approval of need analysis systems issued on February 19, 1975, by the U.S. Office of Education. It will come as no surprise to USOE that we are here to speak in opposition to these proposed rules, inasmuch as we have taken that posture on numerous occasions during the pre-publication discussions about federal intervention in the area of financial need analysis. We have on several occasions, both orally and in writing, taken exception to both the need for such federal involvement in this matter, and especially the implementation time frame of these proposed rules.

It is not our intention to reiterate all of the concerns that we have previously expressed to the U.S. Office of Education. Rather, we would prefer to appeal to the sensitivities of USOE with regard to the issue of timeliness. By your own admission in the preface to the proposed rules, it is important that any approval of need analysis systems be done well in advance of the processing year for which the regulations are to be effective. The proposed rules indicate that the submission of systems for approval should occur by June 30, one year in advance of the effective date, that approval should be announced by September 1 prior to the effective date, and that the effective date should be July 1 of the succeeding year. We agree wholeheartedly with this timetable and would suggest that it is more than desirable—such a timetable is absolutely necessary. It is our best professional judgment that the imposition of the interim procedures outlined in the proposed rules for the coming fiscal year will create processing problems in the financial aid community that will seriously disrupt the effective and efficient delivery of student assistance for the 1975–76 academic year. We believe such disruption to be totally unnecessary, and further, we believe the imposition of the proposed rules will not have the desired effect stated by the U.S. Office of Education. In fact, it is conceivable that the proposed rules as they now stand could have impact contrary to the purpose stated by USOE.

As you know, the processing of applications for the 1975–76 academic year began as early as last September. At the present time, somewhere in the neighborhood of a million and a half confidential financial statements of parents have been processed by the two national services utilized by a majority of the educational institutions in the country. In addition to these financial statements, a similar number of student applications have been processed by institutions in preparation for making financial aid awards. As it currently stands, the proposed rules invalidate most of the work that has already been done with respect to eligibility for federal programs. The impact of these proposed rules upon the processing demands of institutions, whether they utilize hand processing procedures or have their operations on data processing, is apparently beyond the comprehension of USOE. Since commercial services with approved outcomes will not be immediately available for institutional use, the time required for processing will be immeasurably increased.

Moreover, some institutions have already advised students of their eligibility for student assistance, in some cases to the extent that a financial aid package has been announced to individual students. The proposed rules would necessitate that such notification be withdrawn in many instances because the eligibility for federal funds would be less than anticipated by the institutions. For institutions who have not yet notified students, the processing delays brought about by the pending implementation of the proposed rules will delay the ability to make financial aid announcements far beyond the time when students need to know about the availability of assistance. Academic and financial planning of students will be severely hampered to the point of discouraging or precluding enrollment for many prospective students.

If the financial aid community was convinced that the alternatives presented by the proposed rules represented an improvement over the situation before us about which OE is so concerned, it is possible that the delays and confusion which will result could be justified. However, USOE has yet to demonstrate that the measures being proposed for controlling the redistribution of federal funds are any more suitable or equitable than the outcomes currently in effect which they propose to replace. There appear to be several inconsistencies in the proposed rules which cause us to question the underlying rationale. For example, it would appear that the need analysis systems which are proposed to be approved by regulation would fail to meet the proposed criteria for approving other systems. We cannot yet document this expectation, inasmuch as the sample cases to be used in testing outcomes are not yet available for use. However, our knowledge of outcomes which might be expected from either the Basic Grant or Income Tax methods suggest that there is strong likelihood that results from either of these methods would be more than $50 outside the parameters obtained by adjusting the 1974–75 CSS outcomes by 20%. It seems to us that if consistency of outcome is a desired objective of the proposed rules, and we agree that it should be, then the approval of the Basic Grant and Income Tax methods seems highly inconsistent. Further, the sample cases we have computed and compared suggest highly varying results at different income and asset levels. For example, at some points in the income distribution, the expected contribution from the new CSS curves is greater than the expectation using the proposed adjustments to last year's curves. There are other indications that the proposed rules do not yield the outcomes which are purported to be an objective of this action on the part of USOE.

It would be irresponsible of the financial aid community to simply object to the proposed rules, without offering any alternative to USOE. We believe that the best solution to the timing problem is to postpone implementation until July 1, 1976. This would mean a June 30, 1975, submission of systems for approval, a September 1, 1975, approval of submitted systems, and an effective date for awards under the approved systems beginning July 1, 1976. The intervening time not only will resolve the difficulties of implementation at this late date in the processing year but will also provide an opportunity for the consensus need analysis system being generated by the Keppel Task Force to take final form and achieve the acceptance of all concerned parties. We believe that the consensus model holds far more promise for providing the consistency of outcome that USOE seeks than the proposed dual level of eligibility and need.

It is our firm belief that the anticipated shifts in federal funds from low income to middle income students will not take place in the intervening year, even in the absence of any USOE regulations. We believe this is so for at least two reasons. First of all, the financial aid community is genuinely committed to the concept of helping the most needy students first. It is nothing new for the aid community to be faced with demonstrated need, by whatever scale, in excess of available funds. It traditionally has been necessary for us to direct those available resources to a population restricted beyond the simple needs test requirement. Thus, the forthcoming year is no different than any other, except that the unmet need gap may be somewhat larger than in previous years. It is difficult to imagine that the aid community will respond any differently, however, than to help the neediest students first and most. It is highly improbable that, given the shortfall of federal funds in relation to the total needs of individual students and institutions, any significant shift of funding patterns will result because of the increased demonstrated needs of students resulting from the adjusted CSS and ACT curves. Further, since institutional allocations have already been controlled by the additional panel review criteria for 75–76, institutional allocations are, for all practical purposes, "locked up," the proposed rules do nothing to overcome any perceived inequities between institutions. Therefore, the proposed restrictions of eligibility for federal funds would seem to be of little value to lower income students at institutions with the least adequate federal funding. Given these circumstances, we cannot help asking if a related but uncommunicated objective of the proposed rules is the suppression of evidence supporting the need for increased federal funding.

If the US Office of Education feels, despite the factors enumerated earlier, that steps must be taken to ensure that redistribution of benefits does not occur, we would urge that the proposed rules be revised to provide other means toward such assurance, rather than through the manipulation of expected parental contribution and the subsequent determination of "need." There are a number of ways to provide such assurances, but the preferred one from our point of view is a regulation which would require that institutions provide federal student assistance to the neediest students first. Inasmuch as we are concerned here with only dependent students, and consequently with a group having minimal variations of cost within any one institution, it would seem entirely appropriate and feasible to require that institutions assist those students with the greatest amount of need on a priority basis. Thus, an institution could proceed to award its federal funds in descending order of actual need, either meeting full need as long as resources remained available, or meeting a proportionate need uniformly through the applicant group, but giving the largest federal awards to the most needy students. Such an approach would be relatively easy for institutions to administer and adherence to the regulations could be monitored through institutional reports or auditing of institutional records.

Another approach could be to establish arbitrary, but well-reasoned limitations on the size of family contributions of the students to whom federal assistance could be given. Such an approach to permit higher cost institutions to provide proportionally similar federal support to applicants. This latter approach will, require further study and necessitates the development of a scale or formula which NASFAA would be happy to provide if the Office of Education is interested in pursuing this possibility. We feel, however, that the other alternatives have certain advantages which recommend them over the latter one.

Because this hearing falls very early in the public comment period, and many institutions have not yet had the opportunity to review the proposed rules and provide us with their reaction, NASFAA reserves the prerogative to provide further comments in writing until the end of the comment period. Likewise, we remain available to discuss other alternatives with the Office of Education if the issues raised in this and other testimony provided today have recognized validity. We appreciate the opportunity to make this statement about our concerns, and hope that our comments will be helpful to USOE. Some of the other regional presidents may have comments to supplement the NASFAA statement, and I yield the balance of our time to them for that purpose.

Mr. O'Hara. Thank you very much, Mr. Sample.

I think the situation in which we find ourselves is that the college scholarship service has gone through a rather involved process of reviewing and revising its schedules. As a matter of fact, this is something the subcommittee encouraged them to undertake that effort when you appeared before us the last time.

As a consequence of a great deal of discussion in the process, you came up with some revised schedules. The Office of Education took a quick look at them and, without going through any kind of similar process, decided it didn't like them and sort of reached an ad hoc substitute kind of formula.

My own feeling—as expressed by the witnesses and particularly by Mr. Sample—is that, instead of trying to pretend the people operating under the old schedule or the proposed OE amendation of the old schedule would have no need, it might be a good deal more honest and defensible to say: "Yes, you have need but we have insufficient funds to meet that need and, therefore, we are having to adopt some criteria for determining how we ration the scarce resource and these are the criteria we have adopted and we are sorry, but, as a matter of fact, we are not going to be able to supply you with the funds."

That's essentially it. It seems to me that's a much more honest approach.

If I can go on a little bit, the other day I was in this very room for a hearing dealing with the program administered by the Department of Labor. After listening to the testimony, I felt called upon to observe that the only thing the Congress can absolutely count on is that all of the programs enacted by it that are finally funded will be over-administered. I made that observation with respect to a Labor Department program.

I think the same observation is equally valid with respect to these kinds of programs. I don't really see anything wrong with letting financial aid officers and institutions for whom those financial aid officers work use some discretion and make some judgments within the context of a realistic needs analysis. And using some individual judgment.

You know, you were given intelligence supposedly to use it. If a computer could do your job, maybe we ought to just turn it over to the computer and forget about your job. We can have that filled by some high school dropout who can read a computer printout as well as anybody.

Maybe we do, indeed, have a profession of student financial aid administrators and maybe they ought to be called upon to exercise some judgment once in a while and not rely on some formula that isn't very real to make their judgments for them.

Now about the remedy. The thing that bothers me is clearly that OE is acting within the law. The way the law reads, they can adopt any old kind of schedule they want. It doesn't have to make sense, you know. It just has to be a schedule.

I would be hard put to put in a resolution saying the regulations are disapproved because they are not within OE authority under law, because I think they are. I just think they are unwise in doing this.

Maybe we can amend the law. We will have an emergency piece of legislation before us apparently in the next few days. What do we do with the carryover from BEOG? Or what do we do with the excess from BEOG; do we carry it over? Maybe we could tag a little rider on that that would revise the law in a way that would reach the outcomes we have been talking about here, where you try to set up a realistic needs analysis and use independent systems that go through these kinds of processes, and then prescribe some way for rationing your aid or maybe perhaps by law—I guess that is one way to do it—prescribe some method for rationing these resources that would say to the student financial aid administrators: "Where the amount you receive does not meet the computed need, then you ration the resources by taking account of the following factors: one, two, three."

Mr. SAMPLE. I might say there is precedent for guidance from the Office of Education in focusing aid from the Federal sources on certain types of students, which has been done in prior years by guidelines perhaps and instructions rather than perhaps regulations.

There was a time in the old EOG program where we received rather explicit guidance as to the types of students and the eligibility criteria for them to be eligible for that program. While we would differ perhaps with the level at which they were established and we would, of course, reserve the right to perhaps argue with whatever level that might be if it were done in the future, it was clearly understood by the financial aid administrator. Compliance was easy. It was auditable and could be checked for compliance. It did not confuse the issue of program eligibility standards with measuring need.

I think that this is a very essential point that needs to be made and understood, that you should not use the measurement of need for other purposes for which it was not necessarily intended.

Mr. O'HARA. That's a very good point.

Mr. Quie, did you have some question or comment you would like to make?

Mr. QUIE. Yes.

I recognize that the Office of Education only used one factor—the increased cost of living—but the program that you said had worked so many years so well is really the program they used. They didn't devise a new formula. They took yours and reduced it to that amount.

I don't know why that makes it so arbitrary and such strong Federal control. It seems to me they did what they have done all through the years; they have used CSS and, I guess, in effect, because they let them use CSS and AC", now they said we will use the old one with 20 percent off for increased cost of living.

I assume you took increased cost of living into your figures. What are the other factors?

Dr. MARLAND. There is a history which answers your question and I will pass the question to Mr. Nelson. Mrs. Rice may also wish to respond. Both are knowledgeable about the analytical work that went into developing the present tables.

In brief, for over 2 years—now about 3 years—we have viewed our CSS tables as out of line with reality. The membership felt, as Mr. Sample has expressed and Mr. Huff has expressed, that CSS had to change and we responded.

Mr. Nelson will expand on the analytic reasons that comprised the change.

Mr. NELSON. There has been, through the 20-year history of the CSS, annual adjustments not just for cost of living but also in the system's rationale where we found them necessary.

The adjustments from last year's table do demonstrate changes in the CSS rationale beyond a CPI adjustment. Our adjustment to CPI was approximately the same as that proposed by the Office of Education.

Other changes include the following: First, CSS now allows for social security withholding as a direct allowance against income. Certainly, I think we all recognize that social security has become a very heavy tax burden indeed at a number of levels; second, we adjusted the data base of the moderate level used by the Bureau of Labor Statistics, realizing that the housing component in that BLS standard was not acceptable.

For example, last year we expected a family to contribute, as you will recall, $1,150 at the moderate level. By subtracting this housing component out of that moderate standard, this year we are expecting $900 at that moderate level.

To us, this was an important and overdue modification.

Mr. O'HARA. It is one we discussed, as a matter of fact.

Mrs. RICE. If I could add something, Mr. Quie and Dr. O'Hara——

Mr. QUIE. Is he a real doctor?

[Laughter.]

Mr. O'HARA. An honorary doctor. But I do make quorum calls.

[Laughter.]

Mrs. RICE. As of yesterday.

I would like to turn for a moment to the table appended to Mr. Huff's testimony. It shows the arbitrariness of simply going back to the 1974-75 CSS table and adjusting further a CPI increase of 20 percent without consideration of any other factors.

There are an interesting number of wiggles and wobbles in that table. Just look at the families above $20,000 income. I noted with some interest in Mr. Phillip's comments this morning, when he was describing sample cases, he stopped at $20,000 and perhaps with good reason.

Very few families at the $20,000 level and above are getting student assistance but you can certainly qualify for student assistance at those income levels at high cost institutions. If you notice, above that level, the actual effect of the OE table is to lessen the contribution of high income families and increase rather substantially—but in an unprogressive and arbitrary way—the expectations from families with lower incomes.

If OE had used a sound economic rationale and had not simply taken a table of outcomes and adjusted them by 20 percent, but instead, as Mr. Nelson mentioned, taken into consideration the moderate level of family contribution, then I think these outcomes would have been far more progressive than they appear in this table.

Mr. QUIE. How did you get to this position to devise such a table? They didn't devise it; CSS devised it.

Mrs. RICE. OE asked us to, do just that.

Mr. NELSON. We were called upon by the Commissioner of Education as mentioned in his testimony this morning, to provide a communication to our membership and our users that would indicate the extent of change and give them a tool to make changes as soon as possible.

Essentially, the table before you is a derivation of that table that we provided our membership. In effect, we took the table that they had suggested in the prolog in the regulations—our last year's CSS table E adjusted by 20 percent—and subtracted that from table E under our existing system. This provides, if you will, the difference at each of those levels.

Mr. QUIE. Except for that 20 percent, you could have something comparable to what would have occurred if you would have done it just by comparing last year with this year, wouldn't you?

Mr. NELSON. If we would have used only the 20 percent in our change from last year to——

Mr. QUIE. No.

Mr. NELSON. Excuse me.

Mr. QUIE. Let's take the 20 percent out. As I understand it, this table is a difference between your next year's table and what OE proposes.

Mr. NELSON. That's correct.

Mr. QUIE. Now if you took a table which shows that between next year's CSS and this present year's CSS, wouldn't you have the same kind of disparity that is shown here?

Mr. NELSON. The disparities shown here represent the changes that go beyond just the 20-percent adjustment in CPI that affected our moderate level data base and the use of social security.

Dr. MARLAND. If we had done nothing to fine tune or increase, if you will, the delicacy of the CSS table for 1975–76 and just applied the 20 percent to last year's table, we would have come out with the same kind of result as the OE table would show.

Mr. QUIE. So this factor in say the minus 220 and the 23,000 as compared to say a plus 540 at $15,000 with one child is something that was inherent in the CSS table rather than the 20 percent factor.

Dr. MARLAND: We did make one additional adjustment. As we have our taxing rate above the moderate level, we reach a maximum taxing rate and apply that so it would have been somewhat different than that illustrated here, which was a straight 20 percent.

Mr. QUIE. To what extent did you talk with the USOE office as you were making this shift between next year's and this year's CSS?

Dr. MARLAND. We have a committee on need assessment procedures that met in March of 1974 and considered recommendations including the CPI adjustment, and an Office of Education representative was with us during those deliberations.

Also, the CSS Council met a couple of weeks later and looked at preliminary recommendations and the Office of Education was represented at that time.

As we proceeded ahead to come up with specific recommendations and a decision in June, the Office of Education did receive copies of all communications and also the representative of our committee from the Office of Education was notified and sent copies of the materials describing the changes.

Thus in all of our deliberations, the Office of Education has been present not just since our release of the announcement last August but dating back to earlier discussions.

Mr. QUIE. Did they indicate any disagreement with the other factors you used other than CPI?

Dr. MARLAND. No, we had no expression of disagreement. Admittedly, this was not a full forum activity with the full Office of Education but at least we had representatives present and active in our discussions.

Mr. QUIE. Did the OE know prior to August which way you were tending, anyway?

Dr. MARLAND. We had assumed that with this representation and with copies of all our documents that, indeed, they were aware. We later were assured this was not the case at the higher levels, in the Commissioner's Office. They did not feel they had received adequate communication.

Mr. QUIE. The answer this morning was that the reason why it has taken them so long was that they tried evidently to try to get you to change your position so it would be more closely in line with theirs. What kind of argument have they raised against the use of other factors than CPI?

Dr. MARLAND. None to my recollection. There have been no substantive arguments offered to the change that we have made because of moderating the BLS standard or of use of the social security or of any other changes.

The only argument was that this went essentially too far in their view. The discussions never were specific with the Office of Education as to what it was they would propose that we do. It was essentially suggested that perhaps we could come up on our own with a second line of print they might find more acceptable, but there was never a specific proposal on their part.

Mr. QUIE. Dr. Huff told us what was involved in changing your schedule. Who has the greatest influence in decisionmaking in CSS? I know the U.S. Office of Education doesn't have any influence with you.

Dr. MARLAND. Well, the council is composed of 25 representatives of higher education, secondary education, State agencies and other associations.

They have the ultimate decision in terms of our organization and structure, but obviously they lean very heavily upon economists that first propose any changes in rationale and, beyond that, a committee of peers works over any recommendations and forwards them to the council.

I have a listing of the council and the committees if you wish that for the record, along with their charges under our structure and their responsibilities as we devised them.

Mr. **Quie**. Now as you made the changes, you took the increased cost to the family from social security tax increases and other increased costs. Is the assumption that the family must continue to pay all those other costs and that the cost of education is more likely a luxury rather than a need for the family? Nobody took that in consideration with the increase of taxes on social security. They have to find that someplace. Nobody took that in consideration when they had to pay the increased cost of housing. They didn't look at that as anything that was an extra. That was an absolute need.

As you look at CSS, is this expected contribution something more like a luxury than an absolute need——

Dr. **Marland**. Since the inception of CSS and now is the consideration of the parental and family responsibility to contribute where able.

What we have done here is to recognize that real taxes and real increases in taxes certainly have to be subtracted from income that can be used in a real dollar sense.

Then, as we establish an economic base, we want to make sure that that model also is appropriate and, indeed, reflects real ability to pay.

Mr. **O'Hara**. Will the gentleman yield?

I understand the changes they made, in addition to the CPI change, which, apparently OE accepts. It is the others with which they quarrel because of the outcomes.

They took out a completely phony adjustment to one's housing costs. They had been using a system that said:

> If you are a couple that has four children and one of them goes off to college and goes away instead of commuting, yes, you have an expense for the room and board while they are there but that is offset by the saving you make at home because you don't have to heat that child's room or whatever.

Of course, as one knows, in the real world there isn't any offsetting savings. So you clean that out.

The changes they made were, as I understand it, of that nature that remedied some false assumptions in the old system and I gather OE isn't quarreling with you about the rationale of it.

They don't like the outcome. That's the size of it.

Mr. **Quie**. I think Dr. Huff used the comparison of OE proposed program plus the one they have as a basic grant. The basic grant is way higher, especially in a lower income than even what they propose in their adjustment from last year's CSS.

Looking at the table, for instance, of that $12,000 income, the table that I have here 1967 to 1968 at $1,680 and that reducing a small amount each year until it reached $1,240 in the year 1973–74.

There was substantial inflation during those years. Then to drop off to $590 in 1974–75, it would, at first blush, look like a drastic reduction in the amount in 1 year.

Dr. **Rice**. Earlier, Mr. Quie, you posed a question, roughly as follows: The $12,000 family is roughly at the median of family incomes in the country at this time. And they asked how the expectations from that median family income compares with the $8,000 family some years in the past when $8,000 was the median income?

We did make some dramatic changes this year. There is no question about that, but taking into consideration a whole host of factors that seem to make it less possible for parents, particularly during a double digit inflationary period, to contribute to postsecondary education, the expectations in 1974–75 from families at the median income is very similar, if not almost identical, to the expectations from families at the median level in 1969–70.

Mr. QUIE. Then if we come to that point now, that as the median income moves from $8,000 to $12,000 and $520 was approximately one-sixteenth of the $8,000, to put it on a comparable basic shouldn't the expected family contribution be one-sixteenth of the $12,000?

Dr. RICE. It wouldn't be if you start dealing with constant dollars.

Mr. QUIE. It would be if all of the expenses that go into the cost to the family had increased at the same rate as the increase in average income had gone.

Dr. MARLAND. But you haven't accounted for the increased cost to parents and students of the instutions, themselves, in your formulation. In other words, there has been a 500-percent increase perhaps in these years since the $8,000 family has move to the $12,000 bracket. At least a 200-percent increase on the average in institutions and in some as much as five times as much for tuition and costs.

Mr. QUIE. I didn't think the cost of the college had anything to do with the figures.

Mr. NELSON. They don't, that's correct.

Mr. QUIE. That's why I was trying to point out that this is looked at as an extra, not a need. It doesn't make any difference what the cost of college is.

Dr. MARLAND. My comment was superfluous to the development of the table, that is true.

Mr. O'HARA. If the gentleman will yield, I think perhaps we will have to come back to this subject on another occasion.

I will ask the OE to give us a specific critique of what is wrong methodologically, with the specific changes CSS made in their formula other than the outcome.

MARCH 11, 1975.

Hon. T. H. BELL,
Commissioner of Education,
Office of Education, Washington, D.C.

DEAR COMMISSIONER BELL: To further assist the Subcommittee in its deliberations with regard to your proposed rules about need analysis system, I would appreciate it if you could provide me with whatever critique the Office of Education has developed relating to CSS's *methodology* in developing its new curves.

I understand your disagreement with their results, but I am asking if you have specific faults to find with their way of getting there.

Very truly yours,

JAMES G. O'HARA,
Chairman.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., April 7, 1975.

Hon. JAMES G. O'HARA,
Chairman, Committee on Education and Labor, Subcommittee on Postsecondary Education, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of March 11, 1975, requesting our analysis of the changes made last summer in the College Scholarship Service need analysis sytem. Unfortunately, your letter was not directed to my personal attention by our mail room and was not in the appropriate hands until March 19—the day after our conversation in which you indicated that you were awaiting my reply. I apologize for the delay in response which has resulted—more especially since I believe you will see that our position is a reasonable one.

At the outset, let me point out that several of the changes I will discuss were not precluded in any way by the proposed standards for need analysis systems. A starting point in our development of those standards was a wish, on our part, not to disturb the long standing arrangements under which a recognized need analysis service has been free to experiment with need analysis concepts and, short of gross incomparability with other services, to have its own system of definitions and formulas. We have been reluctant to see such freedom closely constrained. Accordingly, in our proposed rule, we made every possible allowance for peculiar features of the CSS system (and other systems) even where we felt that a strong case could be made for a contrary definition or formula. I will nonetheless discuss in this letter some CSS changes our regulation did not preclude, since I understand that you want to have an itemization of the problems we found with the CSS changes made last summer.

Throughout this discussion it will be helpful to use some of the familiar concepts and terminology of the Federal income tax system in describing the CSS changes and their effects. For example, it is useful to point out that some of the changes were similar to changes in the exemptions, deductions, credits, and tax rates in the Federal income tax laws. We had problems with some of the changes because we felt that these concepts were being misused, or extended in ways for which there was no adequate explanation.

A further general point needs to be made. Those who feel that the major changes in the CSS rules were called for, often reach that conclusion because of their concern for the impact of adverse general economic conditions on the ability of families to pay for higher education. For example, it is argued that inflation required a reduction in the real dollar amount a family should be expected to contribute from given nominal income. I fully agree, and, as you know, our proposed standard took into account this impact of inflation.

However, just as in the Federal income tax system, some features of a need analysis system automatically provide for adjustment of what a family can be expected to pay in the face of adverse economic conditions. For example, those whose income is reduced are automatically asked to pay less in taxes. Similarly with a need analysis system. A family affected by unemployment is automatically expected to contribute less for education (although it may have to request a redetermination based on current year income rather than on the most recent completed calendar year).

The first specific change I would like to discuss with you is the unusual treatment of social security contributions. In the past, the CSS system has included social security taxes as a part of the "family size allowance." Thus, the social security taxes are exempted from the expected parental contribution. What CSS has now done is to treat social security taxes as a separate deduction *without a fully equivalent off-setting reduction* in the "family size allowance." In other words, what appears to be merely a bookkeeping change (and possibly a desirable one) is made the occasion for an unjustified increase in the existing cost of living allowance *in addition* to an adjustment for inflation. The resulting reduction in expected family contribution for a family with adjusted gross income of over $14,000 ranges from $100 to $400. That is, because of a mere bookkeeping change, a family in this income range is suddenly found to have between $100 and $400 less to contribute to the education of its children than before.

A second change in the CSS system was a 25–34 percent increase in the "retirement allowance." The retirement allowance is a special deduction from net assets which is related to the projected need of the parents for resources when they retire. We do not question the principle of an asset exclusion. An asset reserve in a need analysis system is valuable in three ways: first, it can be used to make the effect of the whole system of "taxation" on assets more progressive; second, it recognizes and rewards savings; and third, it recognizes that parents save for other purposes in addition to their children's education.

What we find questionable is not the existence of the CSS retirement allowance, but the particular concept of retirement planning on which it is calculated. The assumption that typical parents should not be expected to apply assets to educational costs if this would entail further saving after the children have completed college in order to be able to retire at a BLS moderate standard of living is unrealistic. CSS assumes that the family must either have an adequate *and* fully funded retirement plan (including social security) at the time its children start college or else be saving toward a fully funded plan *while* the children are in college. Most families do not, in fact, complete their retirement savings plans until *after* their children have completed college. Moreover, we think that the particular years when children are in college tend to be years in which the demands of a retirement savings program usually are deferred in the interest of the children.

The CSS assumptions are especially troublesome in times of inflation, because the financial requirements of fully funding a retirement plan increase proportionally and CSS gives these requirements priority over education. Because CSS calculates that social security benefits are relatively less adequate than in the past, they have made *more* than proportional adjustments in excess of experienced rates of inflation.

A third major change in the CSS system was the reduction from $1,510 to $900 in the "maintenance contribution" of a typical family. In making this change CSS appears to have been inconsistent in its methodology. The avowed reason for this special "tax" in the CSS system is to avoid double counting of the costs of the student's room, board, and other maintenance. The "family size allowance" includes an allowance for the student's own room and board. But these costs will also be allowed in the student's personal budget which will be used in calculating his need for student aid. So the CSS system in the past has assumed that the funds allowed for a student's room and board in the family's budget are transferred to his personal budget.

The adjustments made by the CSS last summer are not consistent with this logic. The CSS increased the student's maintenance allowance in the family budget by 18 percent, but *not* the corresponding "maintenance contribution." Had CSS carried through the adjustment consistently, the "maintenance contribution," inclusive of housing expense, would have increased from $1,150 to $1,357. Even if it was then reduced on the ground that the family cannot actually save the housing expense component of the maintenance contribution, it would still have been $1,062.

The fourth and last change in the CSS system which I should discuss is the reduction in rates of tax. There are, of course, good arguments that tax rates should be adjusted in times of inflation to maintain the progressivity of any tax system. However, this *cannot* be the explanation of the changes made by CSS, since average effective tax rates on higher income groups were lowered *more* than for low-income groups, although the highest marginal rate remained unchanged. We simply can find no justification for these changes and yet they magnify the impact of the other changes. In combination with the others they produce results which are inconsistent with a common-sense assessment of ability to pay.

To take only one example—we would be happy to supply others—a family with $16,000 in income and $15,000 in net assets was, only a year ago, expected to be able to contribute $2,026 toward the education of a child in college. If that student saved some summer earnings and if he attended a moderate-cost public institution, then the family was deemed fairly well able to take care of itself. But now it is suddenly declared able to contribute only $900—only what the family is supposed to be able to save by the student no longer living at home.

The above were the changes which startled us so much when we reviewed the new CSS need analysis system. They did not individually stand on their own and, when taken together, they amounted to a radically changed conception of the role of the family in supporting the education of its children. Such changes in social values do occur in history, but in our society they are normally preceded by open and extensive national debate. But here we found such a change decreed by an entirely private body having special, though philanthropic, interests in increasing the amount of Federal and State funds passing through the hands of its members. Accordingly, we felt compelled to limit the changes through exercising clear authority conferred by the Congress.

Sincerely,

T. H. BELL,
U.S. Commissioner of Education

EDUCATIONAL TESTING SERVICE,
Princeton, N.J., June 2, 1975.

Hon. JAMES G. O'HARA,
Chairman, Committee on Education and Labor,
Subcommittee on Postsecondary Education,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to respond on behalf of the College Scholarship Service of the College Entrance Examination Board, to the request of your staff for the rationale behind the several changes in need analysis procedures and criteria which the CSS adopted, after approval by its Committee on Need Assessment Procedures and the CSS Council, for measuring the financial need of students who will be entering postsecondary educational institutions in the fall of 1975.

In particular, your staff has requested the rationale for the following changes:

(*a*) The provision of a direct offset for social security contributions vis-a-vis an allowance in the family budget offsets

(*b*) The increase in the "retirement allowance" offset against family net worth

(*c*) The reduction in the "maintenance contribution" of a family from $1,150 to $900

(*d*) Reduction in the taxing rates against discretionary income

At the outset, I would like to indicate that the changes which were incorporated by CSS for measuring financial need in 1975–76 were consistent with the economic rationale and procedures that have evolved since the beginning of CSS in 1954. The CSS, in being responsive to changes in the underlying economy and the financial patterns of families within that economy, has attempted over the years to provide a "yardstick" by which family ability to pay for postsecondary educational costs can be measured and the need for additional student financial aid resources, whether they be federal, state or institutional, can be determined. This is, of course, the direct opposite of a set of standards or procedures designed to tailor "financial need" in accordance with the extent of available financial aid resources.

For several years, there was some concern by using institutions, families and other interested individuals that the contributions expected from families toward the payment of postsecondary educational costs was unrealistic in light of changing economic conditions within the United States. These concerns were heightened because of the unprecedented inflation that was taking place in 1973 and 1974. The testimony and remarks that were elicited during the hearings on student financial aid that were conducted by your Subcommittee on Postsecondary Education during the fall of 1973 echoed and reinforced these concerns.

In response to these expressed concerns, the CSS, in conjunction with consulting economists and its studying committees and Council, carefully examined the appropriateness of the rationale and methodology of its need analysis system with respect to changes that had occurred in the economy over time. This examination of rationale and methodologies led to several changes in CSS need analysis procedures for students entering postsecondary educational institutions in the fall of 1975.

The change in CSS procedures regarding the provision of a direct allowance for social security taxes paid rather than a standard allowance included in the low and moderate budget levels was necessary because of a growing disparity between the standard allowance used and the actual FICA taxes paid by a family. In deriving the low and moderate budget levels used in the CSS needs analysis systems, we have traditionally updated the 1967 BLS low and moderate budget levels (*3 Standard of Living for an Urban Family of Four Persons*, Spring, 1967; BLS Bulletin No. 1570–5) by the change in the Consumer Price Index (CPI) that has occurred since 1967. However, the actual social security taxes paid by a family at the moderate level have increased at a greater rate than the CPI as a whole. For example, the provision for social security taxes in the 1967 BLS moderate level of living was $290. If this amount was updated by the increase in the CPI that CSS assumed occurred or would occur between 1967 and December 1974, 52.4 percent (the actual increase was 55.4 percent), one would arrive at an allowance of $442. However, the actual social security taxes that would have been paid by a family at the moderate income level was $770. Consequently, the standard allowance significantly understated the actual rates paid by families at and above the moderate level of living. In addition, since the BLS standards assume only one wage earner, no allowance was being made for any social security taxes paid by a second working spouse, significantly "overstating" the income available to the family to meet postsecondary educational costs.

In deriving the CSS low and moderate budget levels to be used in estimating financial need of students entering postsecondary educational institutions in the fall of 1975, the former allowance for social security taxes was excluded. As an example, the CSS moderate budget level for a four person family (the BLS standard sized family) was derived in the following manner:

1967 moderate level consumption expenditures for food, housing, transportation, clothing, personal care, medical care and other family consumption	$7, 221
College-age child adjustment (3 percent)	217
Adjusted total	7, 438
Other costs to family: gifts, contributions, life insurance, occupational expenses	410
Adjusted 1967 moderate level expenditures	7, 848
Estimated CPI as of December 1974	1. 524
CSS moderate income level after Federal income and social security taxes	11, 960

This moderate income level for a four person family, after federal income and social security taxes, was then adjusted to provide equivalent incomes or budget costs for families of varying sizes and used by the CSS in measuring financial need for students who would be enrolling in the fall of 1975.

The increase in the allowance against assets for retirement purposes is a continuation of the special deduction from net assets that has been a part of CSS procedures since 1965. The CSS has, from its inception, recognized that all family assets are not available for the payment of postsecondary educational costs but rather have been accumulated for a variety of purposes including emergencies, future consumption, and eventual retirement. In order to provide an allowance that recognized differences in family situations due to age, family type, and changes in the economy and yet was not subject to arbitrary or pragmatic decisions regarding the size of the allowance to be made, the present methodology was adopted by CSS in 1965. In essence, the dollar allowance against net assets is determined by the additional income required to provide the difference in the 1967 BLS moderate income level for a retired couple or individual (updated for changes in the CPI) and the current average social security benefits for a similar family type. It is assumed that future increases in inflation will be offset by changes in the future benefit levels so that use of current average benefits and budget needs serves as a relatively good proxy. The additional income required to provide for the difference in the current moderate level of retirement income for a couple ($6,080) and the average current social security benefits for a retired couple ($4,220) is $1,860. The CSS then provides as an allowance against assets, the amount that might be demanded as a single payment by a commercial insurance company at differing ages of the primary working parent in return for the payment of such annuity (excluding dividends, if any) per year beginning at age 65. This allowance against assets ranges from $8,600 for a family head age 49 to $21,600 for a family head age 65. Allowances in those cases where the mother is the sole support are derived in a similar manner.

The CSS allowance made prior to considering the amount of assets available to help meet postsecondary educational costs has changed over the last decade only in relation to the difference between BLS estimates of the moderate income levels required for a particular family type and the average social security benefits then being paid. Over this period, when the average social security benefit has increased at a greater rate than the CPI, the retirement allowance has decreased. On the other hand, when inflation has significantly overtaken increases in the average social security benefits, as was true for the past several years, the retirement allowance has been increased to reflect this factor.

In order to provide equity in those cases where family assets are below the CSS allowance levels, the CSS provides an allowance against income at the rate of some 6 percent of the difference between actual net worth and that amount of assets that would be required to provide the appropriate allowance. The rationale for this treatment is if families with assets are "protected" to the extent of their retirement needs, similar families without such assets should have a portion of their income "protected" from contributions toward educational costs in order to provide toward that future need. While this CSS procedure has been in effect for some number of years, it is similar in concept to the current IRS regulation which allows for reduction in income for current federal tax purposes if devoted to future retirement needs.

The third change made by CSS was to reduce the expected contribution for families at the moderate budget level to $900. A uniform contribution from families with incomes equivalent to the moderate level of living has been a part of the CSS rationale and methodology since 1962. It is a recognition that families have provided the basic essentials of living for the student while he was in secondary school and are expected to continue to provide these essentials, if their means permit, when the student is enrolled in a postsecondary educational institution.

A particularly vexing problem over the years has been, "what is the amount that families of varying sizes are expending in providing the basic essentials of living for the student." This occurs because the detailed budget expenditures for various family members in the BLS moderate standard of living is available only for the four-person family. In 1970, an alternative approach in deriving this uniform contribution was adopted by CSS. Essentially, it weighted the differences in the *total* consumption expenditures for families with three to twelve family members by the proportion such families were represented in the CSS population. In 1970, this technique yielded a standard expected contribution of $900 for the academic year at an income level equivalent to the moderate budget standard. With continuing inflation, this technique had given rise to a standard expected contribution of $1,150 for the academic year for students who would enter postsecondary educational institutions in the fall of 1974.

There were widespread indications from parents, users, and the testimony and statements elicited by your Subcommittee during the hearings on the Theory and Practice of Need Analysis, that this standard contribution of $1,150 at a moderate level of living was too high with respect to the actual economic conditions which face families at this income level. In reviewing our critieria, the decision was adopted to exclude the housing component of the moderate budget standard in deriving the standard contribution to be expected at the moderate level. This recognized that the family expenditures on housing were little changed if the student lived at home or if he were a resident student at his institution.

This established technique for deriving a standard contribution applied to the updated moderate level consumption expenditures (excluding housing) yielded a standard contribution of $900 for the academic year 1975–76.

I have also enclosed a short monograph titled, The Expectation from Moderate Income: The Evolution of the Changing Concepts of Maintenance. This paper traces in far greater detail the history of the derivation of this standard contribution at a moderate level of living.

The final change made in the CSS system was to provide for an initial marginal taxing rate of 22 percent against the first $1,000 of discretionary income vis-a-vis the 25 percent used during the preceding year. This adjustment was necessary in order to provide a smoother transition from the proportional taxing rates for incomes below the moderate level to the progressive rate structure used in determining the expected contribution from discretionary income above the moderate level. This change also ameliorated slightly the impact that inflation had on family discretionary income. No other changes were made in the marginal rates of contribution from discretionary income. The marginal rates now being used by CSS are 22, 25, 29, 34, 40, 47 and 55 percent applied to successive $1,000 increments of discretionary income. This is in contrast to the marginal rate structure of 25 to 55 percent used by CSS during the preceding year.

Some confusion has existed with respect to the CSS average effective contribution rates by income categories between 1973–74 and 1974–75. In particular, the fact that the average effective rate of contribution from higher income levels was lowered more than for low income groups. It should be kept in mind that the effective rate is a function not only of income and marginal taxing rates but also exemptions and deductions used in the analysis process. For example, changes in the federal income tax procedures regarding amounts allowed for each exemption or deduction will change the effective rate of federal taxes without any change in the marginal taxing schedule. Concomitantly, the changes in the CSS effective rate of contribution were influenced by the several changes made by CSS, most notably the recognition of actual social security contribution and the reduction in the standard contribution at the moderate level from $,150 to $900. While the reduction in the moderate level contribution effected all families, the recognition of actual social security contribution had a larger impact on families at and above the moderate income levels since there was a significant difference between the average contributions embodied in the BLS moderate budget level updated for inflation and the actual contributions such families were making. This factor primarily accounts for the difference in effective contribution rates between low and higher income groups.

I hope that this additional information regarding the changes incorporated by CSS this year will be of assistance to you and the Subcommittee on Postsecondary Education. If my colleagues or myself may provide any additional information regarding the CSS rationale or processing procedures, please feel free to call upon us.

Sincerely,

James L. Bowman.

Mr. Quie. USOE doesn't like the outcome. Let's go to the outcome, even further than the outcome of the table. Let's go the world of the students. Does it make any difference?

Dr. Marland. I think it makes a difference, Mr. Chairman and Mr. Quie, if I may answer that. I think both Dr. Huff and Mr. Sample addressed that issue.

It is indeed the student who is ultimately either excluded from school for reasons of disparities or finds ways to resolve the difference through loans or other resources.

The other factor is that the student is being told that he has no need under the Office of Education table without at least acknowledging that he has actually need and the institution may try to work at resolving it.

Mr. Quie. So then you are talking about middle-income students. It doesn't have any impact on the students who have a need under the old CSS or the U.S. Office of Education proposal.

Dr. Marland. I would like to ask Dr. Rice to comment on that.

Dr. Rice. We should answer your question in the short range and also in the long range.

Right now, March or April of this academic year—the implementation of these proposed regulations may make a very real difference to a number of students who have already been given tentative awards by institutions or who will certainly have been given awards, tentative or otherwise, by the time these regulations ever become effective and final.

Countless thousands of students will be told right now—the shortrun—perhaps in April, perhaps in May or June—that what their colleges have offered them has to be withdrawn if it contains Federal moneys and be reduced at a time when the student and his family can least stand reduction.

In the longrun, you may be right, colleges and universities, as Mr. Sample and others have stated, continue to use good judgment and the effects on the student might be that acute. However, as the Office of Education rules are written and as we understand them, in the absence of sample cases, we don't know fully what the impact on the individual student will be of what the Office of Education is proposing because it is not altogether clear what they are proposing for next year except a review following certain sample cases which have yet to be published.

Mr. Quie. We have a better understanding of what they are proproposing than what you are proposing because you had that in the proposition except for the 20 percent.

Mr. Nelson. We have been providing outcomes from institutions since last November and have processed already under our system more than 1 million documents that instutions have been using as their base for award determination over the last few months.

Mr. **Quie**. So students actually are attending school, making payments and receiving money based on your table this year. It isn't just for 1975–76.

Dr. **Marland**. Let's make sure the record is clear on that.

Mr. **Nelson**. Institutions are now making award offers for students that will be entering in 1975 and many of them have our information, our analysis of need and have used it as a base to make their award offers already.

Mr. **Quie**. But the offers that they made last year for this year were based on your old formula that the U.S. Office of Education wants to use, so we know how that operates.

Dr. **Marland**. Which they endorsed, as they had been doing.

Dr. **Huff**. Mr. Quie, I would like to reiterate the short term problem. Lois Rice addressed it. I think what will occur as far as the student is concerned is that aid officers will stop processing applications and sit back and wait for the Office of Education to come out and explain precisely what it means.

I think that the point I tried to make in my remarks is that it couldn't come at a worse time in terms of the economy, threatened unemployment, unemployment—I think the student will be in the middle of all this.

Dr. **Marland**. And I would add there are effects too for institutions. Their ability to pay and know where they stand.

Mr. **Quie**. Did you have any idea how OE was going to react?

Dr. **Huff**. Not until about the end of December was there any indication that OE was not going to accept the CSS and ACT systems, as they have in the past.

Mr. **Quie**. I heard at least some rumbling down there last year that they didn't like the direction in which you were going and I wonder if they rumbled up here.

Mr. **Sample**. That may have been with respect to the institutional application for student aid funds. NASFAA, as well as the need analysis services, were asked to meet with the Office of Education to discuss that matter.

I am glad the Commissioner pointed out that our meeting with them on a number of occasions during the period they were developing their final position did not indicate our approval of what they did with respect to the application for funds, and we acknowledge that action perhaps was needed and has been accepted and is now behind us.

As far as NASFAA is concerned, the possibility of Federal standards really came to our attention during the month of December. We did participate in a meeting with the Commissioner of Education January 10, at which time he indicated the direction of the proposed rule. However, they could not permit us to see the drafts that were available, so we could only discuss in general terms.

We tried to indicate what our positions were with respect to the proposed rule as early as January 10, and our letter is part of this statement and indicates what we stated to the Commissioner at that time.

Mr. **Quie**. How long has the Keppel group been working on that?

Mr. **Sample**. The Keppel group has been in existence about a year, I think.

I see also one of my colleagues that I introduced and I wonder if we could yield to Richard Waters from Rutgers.

Mr. WATERS. Just one remark in reference to Mr. Nelson's explanation of the process of review and input by members of higher educational institutions to their organization's need analysis system.

I think it would be important for Mr. Quie to know the regional assemblies play a role in the review process which literally means every member organization of the college board has the opportunity for their representatives to review all proposals that go to the standing committees that were stated by Mr. Nelson. Those were standing committees that were in the process of determination, so that we all have an input to the CSS modifications from year to year.

I would also be concerned about the immediate impact of making it possible to use the ACT or CSS curves to extend assistance, not just those dollars available for Federal funds, but institutional funds with which we may go beyon the proposed Federal need analysis or the curves proposed by the Office of Education.

There is going to be an inequity between institutions that will be created by using a dual curve. Some institutions will have extensive institutional funds with which they can make up say a $400 difference between the level of the Federal curve and the allowances under the needs analysis system of CSS or ACT. This provides the opportunity for them to extend to a student who may be a candidate at my institution $400 more than I can because my institution may lack those institutional dollars.

If you take that across the board for Rutgers University, for students attending our institution next year, I would be asking our development people to try to make contact with private donors to gain at least $300,000 in additional support for students that would be attending Rutgers, just using an average $400 difference between the two curves.

I have one other problem with the impact of the Federal curve. As you are well aware, many States are facing severe fiscal problems during the next year. Our State is one. The State of New Jersey is one in which already the Governor is proposing consideration of considerable cutbacks in State student aid funds.

If a budget officer were to see that there was an acceptance of the Federal curve that is considerably lower than that which may have been used by a State agency or by institutions in that State to distribute assistance to students, I think it might well come to his mind that I should use the Federal standard for State funds since we are in a situation of fiscal stress.

Consequently, we would see a reduction in availability of State assistance.

Educational institutions have benefactors from several levels—Federal, State, and private—and there would, I think, be a concern that I have related here.

Mr. QUIE. On the other side of the coin, was there any desire on the part of CSS to increase Federal-State assistance by reducing the required family contribution? This expected family contribution. Was there any motivation there?

Dr. RICE. I would like to join in response to that question with my colleagues from New York who are more responsible for changes in the system, but certainly from the Washington scene, that was not the motivation.

Our motivation was to try to lay before parents, institutions, and the public at large the need that actually exists. It's clear from that draft paper that even estimating the need gap, that we're preparing, if we made no changes in our table whatsoever, not even an adjustment for cost of living increases, there would have been a huge need gap still existing if you take into account (1) increasing college costs, and (2) the ability of parents to pay, using our old tables without any adjustment whatsoever.

I think that might put into perspective some of the figures on need gaps that were mentioned earlier today.

Mr. QUIE. Do you have it available to put in the record?

Mrs. RICE. We do not have it in a form ready for the record.

Mr. QUIE. When is that Keppel group going to have the report?

Mr. SAMPLE. The Keppel Task Force is expected to make its final report in May. It has been funded by a group of foundations and it has brought together, as Dr. Marland has stated, everyone that is concerned about the issue.

I might say that others from the congressional staffs have participated in the meetings and contributed significantly.

Mr. QUIE. When they complete their work, would one expect that ACT and CSS would have identical expected family contribution tables?

Mr. NELSON. Mr. Quie, if I might comment on this. One of the committees of the Keppel Task Force did direct its attention specifically to needs analysis and they met many times apart from the meetings of the full task force. They have set up a single uniform methodology and set of rules for needs analysis.

We took that set of recommendations out to our regional meetings, as Mr. Waters just mentioned, and over the past 6 weeks had unanimous support for the concept of a single identical set of rules next year as they are developed through this task force effort.

So this is what we anticipate. It is not a totally finished product yet but we expect the draft recommendations to come within the next 3 weeks, so everyone involved and concerned will have an opportunity to react before the Keppel Task Force issues a final report in May.

Mr. SAMPLE. I think it is remarkable that we have been able to achieve this through voluntary efforts. The OE has been a party to this and we hope they can adopt the consensus model for use in the Basic Educational Opportunity Grant program which the Congress would also have to approve under the submission schedule.

We would hope that the two systems plus the Basic Grant program could utilize a common analysis. We do have agreement with ACT and CSS at least to produce some of the results and we would hope the Office of Education would see fit to also be party.

Mr. QUI So the report will show that CSS and ACT will have the same table after the report comes out from the Keppel Task Force.

John, are you ready to interject here whether the Office of Education expects, since they are part of the Keppel Task Force, to also accept that recommendation so there would be one table for the U.S. Office of Education program and CSS and ACT?

Dr. PHILLIPS. I think, to be responsive to your question, I would have to say there is a vast difference between a common methodology for determining need or strength of the family. There is a great difference between that and arriving at what the appropriate taxation rates and what the actual ability to pay might be.

At this point, I have already advised the working group on the needs analysis methodology that we are anxiously awaiting what they come up with in terms of those decisions. We do not have any particular problems with the modifications of the methodology that have been discussed today. That is to say, I think a rather clever way of getting around the problem of separate treatment of assets and income are some of these methodology concerns.

The really tough decisions which will deeply affect our ability to establish a common standard remain to be addressed by the working group and task force at large.

In another vein, I think in response to your earlier inquiry about the question of transferring responsibility from parents to State and Federal Governments, I think it is important to recollect the announcement of the change in curves that was made by the college board and the statements that were entered into the public record.

If you like, I can read from those statements, which I think would be responsive to your question.

> According to data provided by CSS, student financial aid funds for higher education from Federal, State and private sources must be increased by an estimated two billion dollars for the 1975–1976 academic year.

Continuing on the second page:

> As families, teachers, and education administrators, we must work together for a massive future expansion of student aid funds and until the gap can be closed we must find ways to re-examine our choices and priorities, individual and institutional.

Finally, in a closing paragraph explaining the changes in the needs analysis system, the statement is:

> We have made these changes. We have done so to call to the attention of the Federal and State Governments, foundations and private donors the need for greatly increased support and financial aid programs and for higher education in general.

Those are the quotations from Dr. Marland when the announcement of the curve changes was made.

Mr. QUIE. Referring to what Lois said, the short fall or the gap exists with or without the change in the analysis schedule?

Mrs. RICE. It has increased, admittedly, because of the changes in the tables but there was always a gap.

I always hesitate to measure gaps because we are measuring them in terms of people who are already enrolled in higher education. It is very difficult to measure whether a student who had more money would become a full-time student if he is now a part-time student, or whether individual choices would be changed by more money.

We estimated there was a gap of $712 million in 1974–75. That gap went close to $2 billion, as Mr. Phillips just noted, for the next academic year. Several factors account for this. One is an increase in college costs. Another is changes in the CSS table.

Also, I think we haven't added in this paper the dimensions that have been alluded to by Dr. Huff and by you and others; namely, the general economic and unemployment situation within the country.

But if, as I said earlier, we had made no change whatsoever in the CSS tables, not even a change for the cost of living, the need gap would have increased by $400 million this next academic year to a total of $1.2 billion. I find it hard to consider need gaps as we have been doing and the lack of available money when a program that you and I and many others in this room have worked so very hard to bring into being the basic grants programs has an unexpended appropriation of nearly $138 or $140 million.

Mr. QUIE. Back to the Keppel task force. It seems to me that it will be necessary for that to be updated annually, won't it?

Dr. MARLAND. The Keppel task force hopes to discharge itself forever when it concludes its work. There may be a kind of a successor group yet to be defined that might bring about a bridging between the Office of Education and the student aid community, but the task force, itself, does not view itself as a continuing monitor of activities.

Mr. QUIE. If a national commission were established where the Federal Government then provides some funds to bring it together, would this be an acceptable mechanism without the fear of some Federal control in it?

Dr. MARLAND. I would give you a quick answer. I think Mr. Sample would give you perhaps a more generalized answer from the field, but my quick answer would be that if that commission were made up of independent individuals apart from Government but to include Government officers knowledgeable and responsible for law and implementation, but without the ultimate constraints implicit in a Federal Governmental bureaucratic body, I would find it as a very desirable vehicle to help bring us together.

This may differ from Ed's position but he should be heard, I think.

Mr. SAMPLE. I think, Mr. Quie, that the aid community would accept such a commission or similar type of arrangement but, as Sid pointed out, it must have an independence all its own and not be subject to political or other influences in producing what would be a national standard or estimate of ability to pay.

Obviously, I think the task force will make suggestions as to how its work could be carried on in the future.

There is a subcommittee at work on that, exploring possible avenues. Obviously, any future recommendation would be under the control of the parties thereto that are most interested.

Certainly, one of the options would be for the Congress to so create such a body or it could be done cooperatively by those that are most interested. What the exact nature of it would be—I think it is too early to see that until we put more study into it.

Mr. QUIE. As long as the staff was independent and the members were independent of the Office of Education, that would be sufficient independence. It would be pretty hard for it to be appointed without the Congress selecting somebody or the executive branch—usually the President—to appoint that person possibly even with the advice and consent of the Senate. It is hard to have total independence unless you have somebody contract this with the U.S. Office of Education.

Then, you don't have total independence either.

Mr. HARRISON. Since Mr. Sample mentioned the committee staff as having "participated in" the Keppel task force, I should mention that

Mr. Wexler, my counterpart in the Senate and I have refrained from any active participation precisely because the Keppel task force was producing something that might have to come to the Congress for approval, so we haven't had any voting participation nor have we attended their meetings.

Mr. Quie. You wanted to stay independent.

Mr. Harrison. Sir, I felt the independence of the task force was the important thing. We didn't think it was right for us to be participating in a proposition they would then submit to the Congress.

As a matter of fact, there was some discussion of it the first day and Steve Wexler and I expressed the view that we didn't think OE ought to participate, either for the same reason.

Mr. Sample. May I say they participate without vote, however.

Mr. Quie. Their voices are heard without their votes.

Well, thank you very much for your good testimony.

Mr. Sample. If I might say, with your indulgence, if any of my colleagues have any further comments, since they have traveled some distance—Grant, Tom, Dick?

Thank you, Mr. Chairman.

Mr. Quie. Thank you.

[Whereupon, at 1:10 p.m., the hearing was concluded.]

APPENDIX A

[Subsequent to the hearings and other informal discussions, the following letter was sent to the higher education community by Commissioner Bell, withdrawing the mandatory effect of the proposed rule for the academic year 1975–1976, and indicating that revised rules would be submitted. The revised rules—text below—were printed in the Federal Register on May 21st.]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., April 11, 1975.

DEAR COLLEAGUE: This is to advise you of further developments concerning the annual review of need analysis systems proposed in a *Federal Register* notice of February 19, 1975.

The comments we have received on the proposed rule were generally directed toward one or another of three aspects of the rule:

1. The stated intention to implement the rule beginning with awards for academic year 1975–76.
2. The standards proposed for approval of need analysis systems.
3. The concept itself of a review process.

In the light of these comments, I intend to issue revised regulations reflecting the following changes in the original plan for review:

(a) Although the system of annual submission and review will be put into place, need analysis systems which have hitherto been approved may be used by institutions for the 1975–76 academic year without such review and approval.

(b) Before institutions are required to use a system which has been reviewed and approved under the proposed procedure for academic year 1976–77, additional adjustment factors besides a factor for inflation will be made part of the standard for review.

(c) The change in the "overaward" rules which provided a dual standard will no longer be necessary for academic year 1975–76 and will be omitted, except for the clause which limits total student aid to the cost of attendance.

(d) The preamble of the regulation will be revised to remind participants in the programs of their obligation under the statute to give preference to students of greatest and exceptional need, and to do so in a consistent manner whatever system of need analysis is employed.

It may be useful to describe in more detail the situation which will exist under the revised regulation with respect to academic year 1975–76 awards. The use of results produced by a system meeting the standards published on February 19 will be strictly voluntary on the part of institutions. Institutions may use such a system or the already published systems of the College Scholarship Service and the American College Testing Service. These services will continue to supply their subscribers with figures calculated on the basis of those systems. In addition, however, both services have agreed to provide rosters on cases already processed and individual printouts on future cases based on systems which met the February 19th standard. This latter data will thus be available on a convenient basis for those institutions which wish to use a need analysis system reflecting the earlier proposed Office of Education standard.

In developing additional adjustment factors to be taken into account in the standards for review and approval of need analysis systems for academic year 1976–77 awards, the Office of Education intends to have intensive discussions with the need analysis services and other parties concerned with the operation of need-based student aid programs. Let me at this time urge you to inform the Office of Education, either directly or through associations representing your concerns, of the considerations which you believe should be taken into account in this effort.

Sincerely,

T. H. BELL,
U.S. Commissioner of Education.

Title 45—Public Welfare

CHAPTER I—OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

NATIONAL DIRECT STUDENT LOAN PROGRAM, COLLEGE WORK-STUDY PROGRAM, AND SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

ANNUAL REVIEW OF NEEDS ANALYSIS SYSTEMS

Notice of proposed rulemaking was published in the FEDERAL REGISTER on February 19, 1975 (40 FR 7100–7106) setting forth proposed amendments to the regulations governing the National Direct Student Loan (NDSL) Program, the College Work-Study (CWS) Program, and the Supplemental Educational Opportunity Grants (SEOG) Program. (These regulations are set forth in Parts 144, 175, and 176, respectively, of Title 45 of the Code of Federal Regulations.) The purpose of the proposed amendments was to provide procedures and standards by which the Commissioner of Education would review and approve, on an annual basis, the various private systems used by institutions of higher education for calculating the expected family contributions for dependent students who apply for assistance under these three programs.

Interested parties were invited to submit comments, suggestions or objections regarding the proposed regulations. These comments are summarized and the responses of the Office of Education are provided in Paragraph A, below.

A. Summary of Comments and Responses

Comment. Several commenters stated that it is unreasonable for OE to attempt to implement the proposed rule for the 1975–76 academic year, because (i) awards have already been made or (ii) awards need to be made before the earliest date on which the rule can become effective. In their view, the uncertainty caused by this proposal will result in the loss of prospective students who need to know what financial aid they will have at a date earlier than will be possible if the rule applies to awards for academic year 1975–76.

Response. In recognition of these difficulties, the final regulation provides for the standard to be voluntary with respect to awards for the 1975–76 academic year.

Comment. Several commenters contended that the proposed two-tiered overaward provision (permitting the use of non-Federal funds to fill the difference between the Federal standard of need and alternative outputs of approved systems) is discriminatory to the students at those institutions whose only financial aid funds are Federal. At such schools that difference must go unfilled. By contrast, schools with other sources of financial aid will be able to use those funds to meet that difference. Several commenters also objected to the use of different standards for dependent and independent students.

Response. The regulation has been revised to eliminate such distinctions. The amount of need which may be met with Federal funds has been set at the same level as the amount which may be met with non-Federal funds, and an approved system may be used for both dependent and independent students. The regulation is thus similar to the SEOG regulation previously published on October 21, 1974 (45 CFR 176.14), with the added provision that the total amount of aid awarded to the student shall not exceed his cost of education.

Comment. Several commenters offered the speculation that the purpose of the proposed rule was budgetary. Those commenters advanced the argument that the proposed adjustments were motivated by a desire to decrease the demand for Federal funds and that the proposed standard was therefore not a measurement of parental ability to pay, but rather a rationing device.

Response. The appropriations for these Federal programs are made by the Congress and are not necessarily determined by the estimate aggregate amount of student need. The regulation is designed to carry out the Commissioner's responsibility to provide basic criteria in order that Federal funds will be awarded to the neediest students, irrespective of the level of appropriations.

Comment. Several commenters offered the view that adjusting by 20 percent the expected contributions shown on the 1974–75 CSS Table E is not the proper way to adjust for an inflation of 20 percent. According to this view, the proper way of accomplishing such an adjustment would be to increase by 20 percent the adjusted effective income at which a given contribution is epxected and then also increase that contribution by 20 percent. An as example of what is meant, a family with two dependent children and an adjusted effective income of $10,000 was expected to contribute $1,066 according to the 1974-75 CSS Table E. According to the viewpoint expressed by those commenters, that $10,000 adjusted effective income has become equivalent to a present adjusted effective family income of $12,000, and the formerly expected contribution of $1,066 would now be equal to a contribution of $1,279.

Response. The Commissioner desires to offer a method which can be easily understood and can be implemented quickly and easily. He also desires to avoid detailed regulation of the internal mechanics of any system. In recognition of the valid arguments raised about the announced way of deriving benchmark figures, however, the final regulations provide for the use of factors, related to the family's ability to pay, other than inflation in computing contributions for academic year 1976-77 and subsequent years.

Comment. Several commenters objected to the intended 20 percent adjustment as being (i) arbitrary, (ii) not based on research data, (iii) a departure from historical precedents, or (iv) unrealistic in view of the recent rapid rate of inflation.

Response. The proposed rule was based upon the generally accepted historical precedent of updating expected parental contributions in accordance with inflation. As revised, the final regulation also allows for the use of other factors relevant to determining a family's ability to pay.

Comment. A number of commenters objected to the exercise of the Commissioner's authority to establish criteria and schedules for determining need. They contended that voluntarism and local control are preferable and that progress is currently being made, through the National Task Force on Student Aid Problems (commonly known as the Keppel Task Force), toward eliminating the difference among the systems. Other commenters felt that the establishment of specific procedures for the exercise of this authority was long overdue.

Response. The Commissioner has statutory responsibility to provide basic criteria and schedules for the guidance of institutions in making awards to needy students. The Commissioner wishes to rely on private systems and local judgments to the extent possible, but believes he cannot abrogate his statutory responsibility. This regulation does not remove from the student financial aid officer at the institution of higher education the authority to determine, in any individual case, that the expectation calculated according to an approved system does not accurately reflect a given family's ability to pay and to make appropriate adjustments accordingly.

Comment. Several commenters objected to the requirement of annual review and annual publication in the FEDERAL REGISTER of the list of approved systems, on the grounds that there is a probability that such review and publication will not be accomplished in a timely fashion, with the result that the institutions' schedule for making awards to students will be disrupted.

Response. It is the Commisssioner's intention to accomplish the required review in a timely fashion and to publish the list of approved systems in the FEDERAL REGISTER by September 1 of each year. He does not regard such a schedule as being disruptive of award processing. No change has been made in this timetable for completion of the required annual review.

Comment. Various commenters objected to the proposed rule on the grounds that it was issued without adequate prior consultation with the student financial aid community.

Response. The proposed rule was issued as a Notice of Proposed Rule Making with a 30-day period for public comment, and there was a public hearing on February 28 in order to elicit further public comment. This is the official mechanism for consultation with the public and changes in the proposed rule have been made as a result of this process of consultation.

Comment. Several commenters objected to the proposed rule on the grounds that failure to show what they consider to be "true" need would have the result of decreasing the availability of funds from non-Federal sources.

Response. The aggregate amount of need calculated pursuant to the proposed rule would clearly exceed the total amount of Federal funds available for meeting it. The Commissioner considers the responsibility for meeting that need to be one shared among a number of public and private parties. He hopes and believes that this regulation will not have the effect of decreasing the amount of non-Federal funds available for student aid.

Comment. Several commenters objected to the proposed rule on the grounds that the objective of preventing a shifting of Federal funds from lower to higher income groups could be accomplished in other ways, such as requiring that Federal aid recipients be chosen in rank order of need or by categories of need, or by relying on student financial aid officers to aid the neediest students first.

Response. These suggestions may well be suitable methods of choosing which students will be aided when there are not enough funds to aid all needy ssudents. Moreover, student financial aid officers may need to follow such methods in distributing limited resources. However, the Commissioner does not wish either to adopt a complex regulation governing each detail of the award process or to avoid his statutory responsibility to provide guidance for that process. This regulation provides guidance, while preserving a role for private systems and individual judgments.

Comment. Numerous commenters were critical of the Office of Education because of the length of time which elapsed between the public announcement in August 1974 by CSS of the changes it was making and the February 19 date on which the Office announced its proposed rule.

Response. The Office of Education agrees that the time at which its proposed rule was announced was too late for it to be made mandatory for student awards for academic year 1975–76. The standard has therefore been made voluntary with respect to awards for that academic year.

Comment. Several commenters objected to the use, in deriving the benchmark expected family contributions, of the private system (other than the income tax system) used by the largest number of students, on the grounds that use of a system in a heavily populated area does not necessarily make it the best system.

Response. The Office of Education agrees that population density in various geographical areas has no necessary bearing on a system's excellence. The decision to construct benchmarks on the basis of the most frequently used system was made on the grounds that it would be the one most familiar to the largest number of institutional users and that its use by the largest number of students would indicate the broadest general acceptance.

Comment. Several commenters expressed the view that the proposed regulation could have the opposite of the intended effect and could shift funds from more-needy to less-needy students. This would occur if an institution awarded all available funds to its most-needy students and then discovered that some of those students had received funds in excess of their need as that need is calculated pursuant to the proposed rule. When the excess amount awarded is withdrawn from most-needy students, it can then be made available only to less-needy ssudents.

Response. Technically, such a result could happen. In order for it to happen, however, both of the following conditions would have to be met; (i) an institution would have distributed all of the financial aid funds available to it; and (ii) no student to whom aid was denied would be more needy than any student to whom aid was awarded. Even is such a result were to obtain in some particular institution, the Commissioner would not consider it unjustified, because otherwise some individuals would receive aid in excess of a reasonable estimate of need at the expense of denying aid to other needy students.

B. Effect of Revisions

(1) Date of implementation. In the preamble of the notice of proposed rulemaking, the Commissioner had stated his intention to implement the annual review procedures and standards immediately. Approved systems would also be available for use by institutions in submitting their applications for these three programs to the Office of Education during the fall of 1975.

In making awards for the 1975–76 academic year, institutions may use any of the need analysis systems which have received approval under the previously effective regulations (see 45 CFR 176.13). Institutions are reminded that, whatever approved system they choose for academic year 1975–76 awards, they are under the same obligation as before to select students for SEOG awards on the basis of exceptional financial need and to give preference in the making of college work-study awards to students of greatest need. The determinations which an institution makes in carrying out these obligations must be made on a fair and consistent basis. Thus, the Commissioner expects that an institution will not select the needs-analysis system to be applied in an individual case in an arbitrary manner and that, as a general matter, student aid packages of students with relatively greater need will be at least as large in total amount as the student aid packages of students with relatively less need when the needs of each are assessed on the basis of the same need analysis system.

In addition, however, the Commissioner has decided to make this review procedure available to the need analysis systems, on a voluntary basis, as soon as possible, in order that systems and schedules meeting the standards set forth in the proposed regulation can be devised, submitted to the Commissioner and approved by him, and made available to institutions of higher education for use in making awards to students for the 1975–76 academic year. Consequently Appendix A to this document sets forth the table of benchmark family contribution figures for sample cases, as required by §§ 144.14(b)(2), 175.17(b)(2) and 176.13(b)(2), for use in reviewing schedules to be used for academic year 1975–76 awards. As indicated in the preamble of the Notice of Proposed Rule Making, the benchmark figures for this purpose were derived by reducing, by 20 percent, the 1974–75 "Expected Parent's Contributions From Adjusted Effective Income" published by the College Scholarship Service. As explained below, the 1974–75 CSS schedule would, as further adjusted, be used in developing the benchmark figures for the first year of the mandatory application of this regulation.

(2) Additional adjustment factors. The proposed regulation provided that the annual adjustment of the benchmark expected family contribution figures would be based solely on the estimated percent increase in the Consumer Price Index. The Commissioner has now concluded that other adjustments, related to the family's ability to meet educational expenses, should be taken into consideration. Consequently, it is the Commissioner's intention to publish as soon as possible proposed additional adjustment factors that will be used in conjunction with the Consumer Price Index in deriving benchmark figures.

(3) Derivation of initial benchmark figures. As noted above, it was the Commissioner's intent to implement this regulation immediately, using the 1974–75 CSS schedule adjusted by 20 percent for the Consumer Price Index. Thereafter, the base for the derivation of benchmark expected family contribution figures would be the figures for that system which had been approved under this regulation and which was used by the greatest number of students. However, since the implementation of this regulation has now been postponed, except on a voluntary basis, it is necessary for the Commissioner to revise his approach. In deriving benchmark figures for the review of systems to be used in the 1976–77 academic year, the Commissioner will use the 1974–75 "Expected Parent's Contributions From Adjusted Effective Income" published by the College Scholarship Service, reduced in accordance with the Consumer Price Index for 1974, the estimated Consumer Price Index for 1975, and the other factors which the Commissioner will have established as indicated above in paragraph (2).

(4) "Over-award" provisions. Notice of proposed rulemaking contained a provision, for the coordination of all student aid made available by an institution, which permitted the use of two levels of expected family contributions. That provision has been deleted. The provision contained in this regulation is now the same as that set forth in previouly applicable regulations, with the addition of the provision that the total amount of aid made available to a student shall not exceed the student's cost of education and with other minor changes in wording. (See 45 CFR 176.14).

C. Pursuant to the authority contained in sections 464, 444, 413B, and 413C of the Higher Education Act of 1965, as amended (20 U.S.C. 1087dd, 42 U.S.C. 2754, and 20 U.S.C. 1070b–1 and 1070b–2), Parts 144, 175 and 176 of Title 45 of the Code of Federal Regulations are amended as set forth below.

Effective date. Pursuant to Section 431(d) of the General Education Provisions Act, as amended (20 U.S.C. 1232(d)) these regulations have been transmittd, to the Congress concurrent with the publication of this document in the FEDERAL REGISTER. That section provides that regulations subject thereto shall become effective on the forty-fifth day following the date of such transmission, subject to the provisions therein concerning Congressional action and adjournment.

(Catalog of Federal Domestic Assistance No. 13.418, Supplemental Educational Opportunity Grants Program; No. 13.463, Higher Education Work-Study; No. 13.471, National Direct Student Loans)

Dated: April 17, 1975.
Approved: May 14, 1975.

T. H. BELL,
U.S. Commissioner of Education.
CASPAR W. WEINBERGER,
Secretary of Health, Education, and Welfare.

PART 144—NATIONAL DIRECT STUDENT LOAN PROGRAM

1. Part 144 of Title 45 of the Code of Federal Regulations is amended by adding §§ 144.14 and 144.15, which read as follows:

§ 144.14 APPROVED NEED ANALYSIS SYSTEMS.

(a) In order to comply with the requirements of § 144.7(b), an institution shall utilize a need analysis system or method of calculation approved by the Commissioner for that purpose pursuant to this section.

(b) Dependent students. (1) The Commissioner has approved the following systems for the purpose of § 144.7(b), with respect to dependent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The Income Tax System, if adjusted to reflect the number of the parents' dependent children who are attending institutions of higher education. For purposes of this section, the expected family contribution calculated according to the Income Tax System shall be an amount equal to the amount of Federal income tax paid by the parents of a student, plus 5 percent of such parents' net assets in excess of $10,000 and any amount the student is reasonably able to contribute.

(2) The Commissioner will approve any other need analysis system for the purpose of § 144.7(b), for use with respect to dependent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected parents' contribution figures for dependent students which: (*a*) increase in reasonably smooth increments as the parents' financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) The system must produce expected parents' contribution figures which, for at least 75 percent of a set of sample cases developed and made available by the Commissioner, deviate by less than $50 from the figures produced for such sample cases by adjusting the figures produced by the largest private system (excluding the Income Tax System) approved for use during the current fiscal year in accordance with (*a*) the estimated percent increase in the Consumer Price Index between the December immediately preceding and the December immediately following the submission of the system for approval; and (*b*) such other criteria related to a family's ability to pay educational costs as are determined by the Commissioner and published in the FEDERAL REGISTER.

(iii) In developing the set of sample cases to be made available for this purpose, the Commissioner shall select cases in which: (*a*) The parental income, net of Federal and State income taxes, social security tax and business expenses, is equal in the prior year and the current year; (*b*) parental assets, net of related debt and retirement allowance, are equal in the prior year and the current year; and (*c*) other family and financial circumstances are identical in the prior year and the current year.

(c) Independent students. (1) The Commissioner has approved the following systems for the purpose of § 144.7(b), with respect to independent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The system of need analysis published by the American College Testing Service; and

(iii) The system of need analysis published by the College Scholarship Service.

(2) The Commissioner will approve any other need analysis system for the purpose of § 144.7(b), for use with respect to independent students, which is submitted in accordance with the procedures set forth in paragraph (*d*) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected family contribution figures for independent students which: (*a*) Increase in reasonably smooth increments as the family financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) The system must produce expected family contribution figures which are comparable to those produced by one of the systems specified in paragraph (c)(1) of this section.

(d) Application procedures for system approval. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to paragraph (b)(2) of this section shall submit such system to the Commissioner prior to June 30 of each year. Such submission shall consist of sufficient information to enable the Commissioner to determine that the system meets the criteria set forth in that subparagraph, including the expected family contribution figures produced by the system for the sample cases developed and made available by the Commissioner. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to paragraph (c)(2) of this section shall, prior to June 30 of any year, submit to the Commissioner sufficient information to enable him to determine that the system meets the criteria set forth in that subparagraph. On or before September 1 of each year, the Commissioner will publish in the FEDERAL REGISTER a list of all need analysis systems or methods of calculation which have been approved for use in the succeeding academic year.

(e) Duration of approval. Need analysis systems approved pursuant to paragraphs (b)(1) and (c)(1) of this section are approved without a specific expiration date. A need analysis system approved pursuant to paragraph (b)(2) of this section, and included on the list published by the Commissioner on or before September 1, of one year, may be used by an institution (1) in preparing its application for funds under this part which is to be submitted on or before the published closing date next following that September 1; and (2) in determining the eligibility of students for loans under this part, and in calculating the amount of such loans, to be used by the students during any academic year commencing not earlier than 10 months and not later than 22 months following that September 1. A need analysis system approved pursuant to paragraph (c)(2) of this section shall be approved for an indefinite period of time, but the Commissioner may request periodic confirmation that the system remains in compliance with the criteria set forth in that paragraph.

(f) Adjustments. The institution may, in an individual case, further adjust the expected family contribution calculated according to one of the need analysis systems approved pursuant to this section if the student financial aid officer of the institution has reason to believe that such expected family contribution does not realistically reflect the ability of the student and his parents to contribute towards the student's cost of education. Such adjustments shall be documented in writing with an accompanying explanation, and made a part of the institution's records with respect to this part.

(20 U.S.C. 1087dd)

§ 144.15 COORDINATION OF STUDENT FINANCIAL AID PROGRAMS AND OVERAWARD

(a) *Coordinating official.* The institution shall appoint an official who shall have the responsibility of coordinating the program covered by this part with the institution's other Federal and non-Federal programs of student financial aid.

(b) *Total award.* The institution shall not award a loan under this part to a student in an amount which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with one of the need analysis systems or methods of calculations approved by the Commissioner pursuant to § 144.14; *provided*, however, That in no event may the total amount of aid received from all Federal and non-Federal sources exceed the student's cost of education.

(c) *Resources.* For purposes of paragraph (b) of this section, the term "resources made available to the student from Federal and non-Federal sources" includes any waiver of tuition and fees, any scholarship or grant-in-aid including athletic scholarships any fellowship or assistantship, any loan made under the Guaranteed Student Loan Program (Title IV–B of the Higher Education Act) except in cases in which paragraph (d) of this section applies, any long-term loan made by the institution other than under the Guaranteed Student Loan Program, and any expected net earnings from employment during periods for which the student receives a loan under this part. For purposes of this section, "net earnings" means gross earnings minus required withholdings and any costs incidental to obtaining such earnings.

(d) *Treatment of guaranteed loans.* (1) Except as provided in paragarph (d)(2) of this section, loans made under the Guaranteed Student Loan Program shall not be considered to be a student resource and may be used to satisfy the expected family contribution of the borrower calculated in accordance with §144.14. If the amount of such a loan exceeds the borrower's expected family contribution, only such excess shall be considered a student resource.

(2) Loans for which interest benefits are payable under section 428 of Title IV-B of the Higher Education Act (20 U.S.C. 1078) shall be considered a student resource and may not be used to satisfy a student's expected family contribution in cases in which the borrower has an adjusted family income of more than $15,000, as determined in accordance with applicable Guaranteed Student Loan Program Regulations (45 CFR Part 177), or in cases in which the amount of the loan would cause the total amount of the borrower's loans insured by the Commissioner, or by a State or nonprofit private institution having an agreement with the Commissioner under section 428(b) of the Higher Education Act (20 U.S.C. 1078(b)), to exceed $2,000 for that academic year.

(c) *Administrative responsibility.* The institution's responsibility under paragraph (b) of this section shall extend only to those resources which the institution itself makes available to the student, or about which it knows or has reason to know, or can reasonably anticipate at the time that the proceeds of the loan made under this part are disbursed to the student. The amount of net earnings from any employment provided by the institution for any academic period covered by the loan under this part shall be deemed to have been known by the institution at the time of the disbursement of such loan. However, an institution will not be deemed to have violated the requirements of this section if the sum of all the resources made available to the student, including a loan under this part, exceeded that student's need by not more than $100.

(20 U.S.C. 1087dd)

PART 175—COLLEGE WORK-STUDY PROGRAM

2. Part 175 of Title 45 of the Code of Federal Regulations is amended by add-Reg §§ 175.17 and 175.18, which read as follows:

§ 175.17 APPROVED NEED ANALYSIS SYSTEMS.

(a) In order to comply with the requirements of § 175.5(c), an institution shall utilize a need analysis system or method of calculation approved by the Commissioner for that purpose pursuant to this section.

(b) Dependent students. (1) The Commissioner has approved the following systems for the purpose of § 175.5(c), with respect to dependent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The Income Tax System, if adjusted to reflect the number of the parents' dependent children who are attending institutions of higher education. For purposes of this section, the expected family contribution calculated according to the Income Tax System shall be an amount equal to the amount of Federal income tax paid by the parents of a student, plus 5 percent of such parents' net assets in excess of $10,000 and any amount the student is reasonably able to contribute.

(2) The Commissioner will approve any other need analysis system for the purpose of § 175.5(c), for use with respect to dependent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected parents' contribution figures for dependent students which: (*a*) Increase in reasonable smooth increments as the parents' financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) The system must produce expected parents' contribution figures which, for at least 75 percent of a set of sample cases developed and made available by the Commissioner, deviate by less than $50 from the figures produced for such sample cases by adjusting the figures produced by the largest private system (excluding the Income Tax System) approved for use during the current fiscal year in accordance with (*a*) the estimated percent increase in the Consumer Price Index between the December immediately preceding and the December immediately following the submission of the system for approval; and (*b*) such other criteria related to a family's ability to pay educational costs as are determined by the Commissioner and published in the FEDERAL REGISTER.

(iii) In developing the set of sample cases to be made available for this purpose, the Commissioner shall select cases in which: (*a*) The parental income, net Federal and State income taxes, social security tax and business expenses, are equal in the prior year and the current year; (*b*) parental assets, net of related debt and retirement allowance, are equal in the prior year and the current year: and (*c*) other family and financial circumstance are identical in the prior year and the current year.

(c) Independent students. (1) The Commissioner has approved the following systems for the purpose of § 175.5(c), with respect to independent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190);

(ii) The system of need analysis published by the American College Testing Service; and

(ii) The system of need analysis published by the College Scholarship Service.

(2) The Commissioner will approve any other need analysis system for the purpose of § 175.5(c), for use with respect to independent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected family contribution figures for independent students which: (*a*) Increase in reasonably smooth increments as the family financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) the system must produce expected family contribution figures which are comparable to those produced by one of the systems specified in paragraph (c)(1) of this section.

(d) Application procedures for system approval. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to paragraph (b)(2) of this section shall submit such system to the Commissioner prior to June 30 of each year. Such submissions shall consist of sufficient information to enable the Commissioner to determine that the system meets the criteria set forth in that subparagraph, including the expected family contribution figures produced by the system for the sample cases developed and made available by the Commissioner. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to paragraph (c)(2) of this section shall, prior to June 30 of any year, submit to the Commissioner sufficient information to enable him to determine that the system meets the criteria set forth in that subparagraph. On or before September 1 of each year, the Commissioner will publish in the FEDERAL REGISTER a list of all need analysis systems or methods of calculation which have been approved for use in the succeeding academic year.

(e) Duration of approval. Need analysis systems approved pursuant to paragraphs (b)(1) and (c)(1) of this section are approved without a specified expiration date. A need analysis system approved pursuant to paragraph (b)(2) of this section, and included on the list published by the Commissioner on or before September 1 of this year, may be used by an institution (1) preparing its application for funds under this part which is to be submitted on or before the published closing date next following that September 1; and (2) in determining the eligibility of students for employment under this part and in calculating the amount of such employment to be made available to a student during any academic year commencing not earlier than 10 months and not later than 22 months following that September 1. A need analysis system approved pursuant to paragraph (c)(2) of this section shall be approved for an indefinite period of time, but the Commissioner may request periodic confirmation that the system remains in compliance with the criteria set forth in that paragraph.

(f) *Adjustments.* The institution may, in an individual case, further adjust the expected family contribution calculated according to one of the need analysis systems approved pursuant to this section if the student financial aid officer of the institution has reason to believe that such expected family contribution does not realistically reflect the ability of the student and his parents to contribute towards the student's cost of education. Such adjustment's shall be documented in writing, with an accompanying explanation, and made a part of the institution's records with respect to this part.

(42 U.S.C. 2754)

§ 175.18 COORDINATION OF STUDENT FINANCIAL AID PROGRAMS AND OVER-AWARD.

(a) *Coordinating official.* The institution shall appoint an official who shall have the responsibility of coordinating the program covered by this part with the institution's other Federal and non-Federal programs of student financial aid.

(b) *Total award.* The institution shall not award assistance under this part to a student in an amount which, when combined with all of the resources made available to the students from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with one of the need analysis systems or methods of calculations approved by the Commissioner pursuant to § 175.17; *provided*, however, That in no event may the total amount of aid received from all Federal and non-Federal sources exceed the student's cost of education.

(c) *Resources*. For purposes of paragraph (b) of this section, the term "resources made available to the student from Federal and non-Federal sources" includes any waiver of tuition and fees, any scholarship or grant-in-aid including athletic scholarships, any fellowships or assistantship, any loan made under the Guaranteed Student Loan Program (Title IV–B of the Higher Education Act) except in cases in which paragraph (d) of this section applies, any long term loan made by the institution other than under the Guaranteed Student Loan Program, and any expected net earnings from employment during periods for which the student receives assistance under this part. For purposes of this section, "net earnings" means gross earnings minus required withholdings and any costs incidental to obtaining such earnings.

(d) *Treatment of guaranteed loans*. (1) Except as provided in paragraph (d)(2) of this section, loans made under the Guaranteed Student Loan Program shall not be considered to be a student resource and may be used to satisfy the expected family contribution of the borrower calculated in accordance with § 175.17. If the amount of such a loan exceeds the borrower's expected family contribution, only such excess shall be considered a student resource.

(2) Loans for which interest benefits are payable under section 428 of Title IV–B of the Higher Education Act (20 U.S.C. 107) shall be considered a student resource and may not be used to satisfy a student's expected family contribution in cases in which the borrower has an adjusted family income of more than $15,000, as determined in accordance with applicable Guaranteed Student Loan Program Regulations (45 CFR Part 177), or in cases in which the amount of the loan would cause the total amount of the borrower's loan insured by the Commissioner, or by a State or nonprofit private institution having an agreement with the Commissioner under section 428 (b) of the Higher Education Act (20 U.S.C. 107(b)), to exceed $2,000 for the academic year.

(e) *Administrative responsibility*. The institution's responsibility under paragraph (b) of this section shall extend only to those resources which the institution itself makes available to the student, or about which it knows or has reason to know, or can reasonably anticipate at the time that the assistance under this part is disbursed to the student. The amount of net earnings from any employment provided by the institution for any academic period during which the student is receiving assistance under this part shall be deemed to have been known by the institution at the time of the disbursement of such assistance. However, an institution will not be deemed to have violated the requirements of this section if the sum of all the resources made available to the student, including assistance under this part, exceeded that student's need by not more than $100.

(42 U.S.C. 2754)

PART 176—SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

3. Sections 176.13 and 176.14 of Title 45 of the Code of Federal Regulations are revised to read as follows:

§ 176.13 APPROVED NEED ANALYSIS SYSTEMS.

(a) In order to comply with the requirements of § 176.12, an institution shall utilize a need analysis system or method of calculation approved by the Commissioner for that purpose pursuant to this section.

(b) Dependent students. (1) The Commission has approved the following systems for the purpose of § 176.12(a):

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program (45 CFR Part 190); and

(ii) The Income Tax System, if adjusted to reflect the number of the parents' dependent children who are attending institutions of higher education. For purposes of this section, the expected family contribution calculated according to the Income Tax System shall be an amount equal to the amount of Federal income tax paid by the parents of a student, plus 5 percent of such parents' net assets in excess of $10,000 and any amount the student is reasonably able to contribute.

(2) The Commissioner will approve any other need analysis system for the purpose § 176.12(a) which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected parents' contribution figures for dependent students which: (*a*) increase in reasonably smooth increments as the parents' financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) The system must produce expected parents' contribution figures which, for at least 75 percent of a set of sample cases developed and made available by the Commissioner, deviate by less than $50 from the figures produced for such sample cases by adjusting the figures produced by the largest private system (excluding the Income Tax System) approved for use during the current fiscal year in accordance with (*a*) the estimated percent increase in the Consumer Price Index between the December immediately preceding and the December immediately following the submission of the system for approval; and (*b*) such of other criteria related to a family's ability to pay educational costs as are determined by the Commissioner and published in the Federal Register.

(iii) In developing the set of sample cases to be made available for this purpose, the Commissioner shall select cases in which: (*a*) the parental income, net of Federal and State income taxes, social security tax, and business expenses, are equal in the prior year and the current year; (*b*) parental assets, net of related debt and retirement allowance, are equal in the prior year and the current year; and (*c*) other family and financial circumstances are identical in the prior year and the current year.

(c) Independent students. (1) The Commissioner has approved the following systems for the purpose of § 176.12 (b) with respect to independent students:

(i) The method of calculating an expected family contribution used in the Basic Educational Opportunity Grant Program (45 CFR Part 190);

(ii) The system of need analysis published by the American College Testing Service; and

(iii) The system of need analysis published by the College Scholarship Service.

(2) The Commissioner will approve any other need analysis system for the purpose of § 176.12(b) for use with respect to independent students, which is submitted in accordance with the procedures set forth in paragraph (d) of this section and which meets the following criteria:

(i) The system must produce, as its standard output, expected family contribution figures for independent students which: (*a*) increase in reasonably smooth increments as the family financial strength, measured in real terms, increases; and (*b*) are equal for families of equal measured financial strength; and

(ii) The system must produce expected family contribution figures which are comparable to those produced by one of the systems specified in paragraph (c)(1) of this section.

(d) Application procedures for system approval. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to paragraph (b)(2) of this section shall submit such system to the Commissioner prior to June 30 of each year. Such submission shall consist of sufficient information to enable the Commissioner to determine that the system meets the criteria set forth in that subparagraph, including the expected family contribution figures produced by the system for the sample cases developed and made available by the Commissioner. Any person or institution seeking to have a need analysis system approved by the Commissioner pursuant to paragraph (c)(2) of this section shall, prior to June 30 of any year, submit to the Commissioner sufficient information to enable him to determine that the system meets the criteria set forth in that subparagraph. On or before September 1 of each year, the Commissioner will publish in the Federal Register a list of all need analysis systems or methods of calculation which have been approved for use in the succeeding academic year.

(e) Duration of approval. Need analysis systems approved pursuant to paragraphs (b)(1) and (c)(1) of this section are approved without a specified expiration date. A need analysis system approved pursuant to paragraph (b)(2) of this section, and included on the list published by the Commissioner on or before September 1 of one year, may be used by an institituion (1) in preparing its application for funds under this part which is to be submitted on or before the published closing date next following that September 1; and (2) in determining the eligibility of students for awards under this part, and in calculating the amount of such awards, to be used by the students during any academic year commencing not earlier than

10 months and not later than 22 months following that September 1. A need analysis system approved pursuant to paragraph (e)(2) of this section shall be approved for an indefinite period of time, but the Commissioner may request periodic confirmation that the system remains in compliance with the criteria set forth in that paragraph.

(f) Adjustments. The institution may, in an individual case, further adjust the expected family contribution calculated according to one of the need analysis systems approved pursuant to this section if the student financial aid officer of the institution has reason to believe that such expected family contribution does not realistically reflect the ability of the student and his parents to contribute towards the student's cost of education. Such adjustments shall be documented in writing, with an accompanying explanation, and made a part of the institution's records with respect to this part.

(20 U.S.C. 1070b–1 and 1070b–2)

§ 176.14 COORDINATION OF STUDENT FINANCIAL AID PROGRAMS AND OVER-AWARD

(a) The institution shall appoint an official who shall have the responsibility of coordinating the program covered by this part with the instititions's other Federal and non-Federal programs of student financial aid.

(b) Total award. The institution shall not award a Supplemental Grant to a student in an amount which, when combined with all of the resources made available to the student from Federal and non-Federal sources, would exceed the difference between the student's cost of education and his expected family contribution, as determined in accordance with one of the need analysis systems or methods of calculations approved by the Commissioner pursuant to § 176.13; *provided*, however, That in no event may the total amount of aid received from all Federal and non-Federal sources exceed the student's cost of education.

(c) Resources. For purposes of paragraph (b) of this section, the term "resources made available to the student from Federal and non-Federal sources" includes any waiver of tuition and fees, any scholarship or grant-in-aid including athletic scholarships, any fellowships or assistantship, any loan made under the Guaranteed Student Loan Program (Title IV–B of the Higher Education Act) except in cases in which paragraph (d) of this section applies, any long-term loan made by the institution other than under the Guaranteed Student Loan Program, and any expected net earnings from employment during periods for which the student receives a grant. For purposes of this section, "net earnings" means gross earnings minus required withholdings and any costs incidental to obtaining such earnings.

(d)(1) Except as provided in paragraph (d)(2) of this section, loans made under the Guaranteed Student Loan Program shall not be considered to be a student resource and may be used to satisfy the expected family contribution of the borrower calculated in accordance with § 176.13. If the amount of such a loan exceeds the borrower's expected family contribution, only such excess shall be considered a student resource.

(2) Loans for which interest benefits are payable under section 428 of Title IV–B of the Higher Education Act (20 U.S.C. 1078) shall be considered a student resource and may not be used to satisfy a student's expected family contribution in cases in which the borrower has an adjusted family income of more than $15,000, as determined in accordance with applicable Guaranteed Student Loan Program Regulations (45 CFR Part 177), or in cases in which the amount of the loan would cause the total amount of the borrower's loans insured by the Commissioner, or by a State or non-profit private institution having an agreement with the Commissioner under section 428(b) of the Higher Education Act (20 U.S.C. 1078(b), to exceed $2,000 for that academic year.

(e) *Administrative responsibility.* The institution's responsibility under paragraph (b) of this section shall extend only to those resources which the institution itself makes available to the student, or about which it knows or has reason to know, or can reasonably anticipate at the time that the Supplemental Grant is disbursed to the student. The amount of net earnings from any employment provided by the institution for any academic period covered by the grant award shall be deemed to have been known by the institution at the disbursement of such grant. However, an institution will not be deemed to have violated the requirements of this section if the sum of all the resources made available to the student, including a grant under this part exceeded that student's need by not more than $100.

(20 U.S.C. 1070b–1 and 1070b–2)

APPENDIX A

U.S. OFFICE OF EDUCATION
EXPECTED PARENTAL CONTRIBUTIONS

SAMPLE CASES AND BENCHMARK FIGURES
FOR 1975-76 ACADEMIC YEAR

	NET ASSETS	0				10000				20000				30000			
	FAMILY SIZE	3	4	5	6	3	4	5	6	3	4	5	6	3	4	5	6
INCOME AFTER TAXES	8000		170	30			380	180			590	370			810	560	
	10000	910	590	370	230	1110	810	560	410	1340	1020	760	590	1610	1230	950	770
	12000		1020	760			1230	950			1490	1160			1780	1390	
	14000	1930	1490	1160	950	2300	1780	1390	1150	2740	2130	1670	1390	3180	2540	2000	1670
	16000		2130	1670			2540	2000			2980	2390			3420	2830	
	18000	3620	2980	2390	2000	4060	3420	2830	2390	4500	3860	3270	2830	4940	4300	3710	3270
	20000		3860	3270			[illegible]	3710			4740	4150			5180	4590	

The figures above are parents' contribution figures calculated under the following assumptions:

1) Two parents, one with income;
2) One dependent in postsecondary education;
3) No business and/or farm assets;
4) Age of main wage earner--50 years;
5) No unusual circumstances;
6) Student lives at home with parents 3 months.

[FR Doc 75-13213 Filed 5-20-75;8:45 am]

APPENDIX B

The following is a sampling of the correspondence received by the subcommittee with respect to the proposed rules.

New Hampshire College,
Manchester, N. H., February 24, 1975.

Hon. James G. O'Hara,
House of Representatives,
Rayburn House Office Building, Washington, D.C.

Dear Congressman O'Hara: The Notice of Proposed Rule Making, which appeared in the Federal Register of Wednesday, February 19, and which affects the college based programs of federal student assistance, has caused me to write Dr. John Phillips, the Associate Commissioner for Student Assistance.

A copy of my letter to him is enclosed for your review and appropriate reaction. Such proposed rule changes afford the public a thirty day response period and the Congress a forty-five day one.

The fiasco we all suffered through a couple of years ago in connection with the federally insured student loan program is too fresh in my mind to accept the proposed rule change without thought and protest.

Veterans, and many of our young people unable to enter the military service or gain employment, are seeking entry to postsecondary institutions in the fall. They require a firm commitment and assurance of available funds far in advance of the proposed schedule.

Many, many middle-income families have also felt the affects of inflation and unemployment and if sons and daughters of such families are denied access to the benefits of federal assistance programs a national tragedy will result.

Your attention to these proposed rule changes is urged.

Sincerely yours,

James M. Reynolds,
Dean, Admissions/Financial Aid.

Enclosure.

New Hampshire College,
Manchester, N.H., February 24, 1975.

Dr. John D. Phillips,
Associate Commissioner for Student Assistance, U.S. Office of Education, DHEW, Washington, D.C.

Dear Dr. Phillips: The notice of proposed rule making concerning the regulations governing approval of need analysis systems, published in the Federal Register of Wednesday, February 19, stuns and disheartens me, first as a professional aid officer, second as a parent and third as a taxpayer.

Though willing to concede the Commissioner's obligations, and authority, under relevant statutes, I view the proposed rule changes as objectionable from several points of view.

1. We have been less than candid with each other, organizationally not personally, as regards the reasons or causes for the proposed rule changes. Therefore proper foundation for the changes has not been set. Such matters are not irrelevant or immaterial.

a. Though not stated as such in the section on proposed rule making, I assume that the reason for our crisis of the moment is significant changes in the expected parental contribution tables (Table E) of the College Scholarship Service, announced this past August, from the 1973–74 to the 1974–75 processing year.

b. Though some criticism has been directed towards the College Scholarship Service for its timing, I would submit that CSS's timing, August 1974 for the 1975–76 college year, is far superior to the Commissioner's timing which, according to the proposed rules, calls for approval on or before September 1 for the fiscal year starting the preceding July 1.

c. All college years start no later than the fall, some in the summer, and the commitment of student assistance is usually made the previous spring. The amount of confusion certain now to be generated by the proposed rule change will only add to the burden of our people who are trying so valiantly to get this great nation going again.

2. The proposed changes may well, again, frustrate the will of the Congress. In addition to the obligations so eloquently claimed by the Commissioner under this section, it has always been and is my understanding that DHEW's major tasks include the drafting of rules and regulations *implementing* the legislation enacted by the Congress.

a. Our mutual difficulties with the Federally Insured Student Loan Program (FISLP) were certainly recent enough to recall, only too painfully, the price we all pay for failure at coordination and understanding.

b. Our definitions have been subject to interpretation by almost everybody and quite frankly we have failed often to consider the history and intent of the various pieces of legislation enacted and the term utilized. Relative and absolute need are only two of the terms which require better understanding.

c. The history and intent of the legislation, as I understand it, mandates funds under the Basic and Supplemental Educational Opportunity Grant Programs to the neediest student. I have interpreted the available materials as indicating the operative concept utilized under these programs as being *absolute need* with *relative need* defining the outside limits of scheduled awards.

d. Conceptually, *relative need* has always been part and parcel of the National Defense, now National Direct Student Loan Program. The College Work-Study Program originally did seem based more on *absolute need*, but appears to have shifted to a *relative need* base, by amendment; not surprising in light of the American work ethic.

e. The federally insured student loan program (FISLP) recognizes, among other things, an *assumed need* concept. Initially, at least, funds under this program were "targeted" differently than the funds awarded under other programs. It is my opinion that the program has not served the purposes for which it was established, but such an observation is not particularly germaine to my objection.

f. The rule change now proposes to place all the programs, FISLP excepted, on the same need basis and as such is not in keeping with the history, and in my opinion, with the intent of the legislation.

3. In the introduction to the Notice of Proposed Rule Making, it is stated, in part, "The first element of these standards is merely a check that the method under review produces a comprehensive set of figures and maintains its internal consistency and validity".

a. At least by implication, consistency and validity have been assigned similar weight in your considerations. I submit that you may, if you elect, be consistently wrong; but I find little value in the pursuit.

b. Being a term in which many can find some comfort, validity holds more promise. What is valid, what is correct ought to be based in reality and is certainly important.

c. We shift, somewhat rapidly, from tables published by the Bureau of Labor Statistics to tables utilized by the Social Security Administration when discussing financial data relating to standards of living. Low, moderate and high income levels tend to confuse me, but I believe that all americans are entitled to an adequate, but moderate standard of living before we can reasonably ask for funds to support educational goals.

d. The need analysis "methods" approved in the past have not related well to each other and while I can support the "concept" of similar results I must admit a stronger desire for the "right" answer.

4. By dictum and inference you approve the method and result of calculating an expected family contribution used in the Basic Educational Opportunity Grants Program and by College Scholarship Service during the 1973–74 processing year.

a. The basic grant formula, subject to Congressional review and approval annually, has been changed every year since its inception and seems to serve a rationing function somewhat better than a needs analysis one.

b. I, and many of my colleagues, strongly disagreed with the result (expected family contribution schedule) of the 1973–74 CSS formula and reducing the contribution by the rise in the consumer price index over the ensuing two year period is not an acceptable resolution of the problem.

c. Though I'm not sure I can fully support and/or agree with the "results" generated by the 1974–75 CSS processing formula, it is my opinion that CSS is closer to reality than any system now available.

5. Previous indications had caused me to believe that the Office of Education was willing to accept two levels of parental support, one for determining need for purposes of calculating federal assistance and a second for determining the outside limits of all aid as regards the question and problem of over-funding.

a. The proposed rule change negates the above belief, arbitrarily selects a "national standard" and infers that other systems will be brought into line. If the latter takes place by mutual accord, I could not and will not complain. If it is wished down from on high I do expect that I will argue vigorously.

b. The Commissioner has limited experience in setting "national standards of need analysis" and the track record is far from encouraging.

c. Not "all demonstrated need" should be met by federal resources; but real need should be recognized and addressed by the various segments of our society. The wrong solution could easily delude us into thinking we are doing a real good job. Hopefully, we can work together in establishing a national standard for need analysis systems.

6. One would have to be naive not to relate the "proposed rule changes" and the "additional funding criteria utilized this past year by regional review panels", to your very real concern about shifting patterns of student assistance.

a. The temptation to confuse rationing devices, targeting and needs analysis systems ought to be avoided.

b. Funds can be targeted by changing the program guidelines or by messing with the "approved systems of need analysis" and their results. The former might draw the immediate and careful attention of both the Congress and the American people whose tax dollars fund these programs.

7. The size of financial aid awards is, without doubt, the function of need analysis. The selection of recipients may well be the function of other processes.

8. The entire question of student assistance programs and national priorities is long due for review and overhaul. Congressman O'Hara's Committee and Senator Pell's Committee are in the midst of just such a review and I therefore find the proposed action late and far short of the national needs.

a. When the guy who pays the band (middle income taxpayer) is not permitted even to listen to the music never mind dance to it, then we are in trouble. We have about reached that situation with the question and problems of student aid programs.

We cannot afford to be arrogant, arbitrary, precipitous, or unresponsive to the needs of all our people and I urge you to work with and await the decisions of our Congressmen who are our elected representatives studying these matters.

Respectfully submitted,

JAMES M. REYNOLDS,
Dean, Admissions/Financial Aid.

NATIONAL ASSOCIATION OF
STUDENT FINANCIAL AID ADMINISTRATORS,
Washington, D.C., February 20, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: On February 19, the U.S. Office of Education published proposed rules relative to the approval of need analysis systems for purposes of determining the eligibility of individual students for the federal student assistance programs which are administered by institutions of postsecondary education. The affected programs, commonly known as the campus-based programs, are Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans.

The National Association respectfully requests that you review these proposed rules very carefully, under the authority provided you, in order to determine if the proposed rules are consistent with the intent of Congress in authorizing these programs. NASFAA believes the proposed rules to be contrary to Congressional intent, particularly inasmuch as they will impair the effective delivery of federal assistance to students during the upcoming 1975–76 academic year. We would, therefore, ask that your Subcommittee hold hearings on the effect of these proposed rules. If the facts provide the justification for doing so, we hope that you will disallow the implementation of these rules as proposed by U.S.O.E.

The attached copy of a letter from NASFAA to Commissioner Bell, in which we tried unsuccessfully to dissuade U.S.O.E. from proposing the rules at this time, provides the background information necessary to understand our position on this matter. If asked to do so, the Association will be ready to elaborate upon these considerations in any hearings which might be held.

We deeply regret that we find it necessary to appeal to the Congress for relief from these proposed rules, but the Office of Education gives us no other alternative if we are to deliver student assistance on a timely basis for 1975–76. That, we believe, is our responsibility.

Sincerely,

EDSON W. SAMPLE,
President.

Enclosure.

TABLE OF DIFFERENCES—AMOUNTS TO BE ADDED TO CSS EXPECTED PARENTS' CONTRIBUTION FOR THE 1974–75 PROCESSING YEAR, IN ORDER TO ACHIEVE THE PROPOSED FEDERALLY-APPROVED STANDARD FOR USE WITH FEDERAL STUDENT AID PROGRAMS

Adjusted effective income levels	Number of dependent children— 1	2	3	4	5
$3,000 or less	[1] $+700	[1] $+700	[1] +$700	[1] +$700	[1] $+700
$4,000	[1] $+590	[1] +700	[1] +700	[1] +700	[1] +700
$5,000	[1] +420	[1] +520	[1] +620	[1] +690	[1] +700
$6,000	[1] +450	[1] +370	[1] +470	[1] +550	[1] +590
$7,000	+480	+370	[1] +380	[1] +400	[1] +460
$8,000	+430	+410	[1] +370	[1] +370	[1] +340
$9,000	+390	+410	[1] +410	[1] +380	[1] +340
$10,000	+330	+400	+420	+420	[1] +360
$11,000	+330	+380	+410	+420	+400
$12,000	+370	+380	+390	+410	+400
$13,000	+420	+400	+410	+400	+410
$14,000	+480	+460	+440	+430	+420
$15,000	+540	+530	+490	+480	+460
$16,000	+530	+610	+560	+530	+520
$17,000	+440	+650	+650	+610	+580
$18,000	+330	+160	+720	+710	+670
$19,000	+220	+500	+720	+790	+770
$20,000	+110	+380	+660	+810	+840
$21,000		+280	+550	+760	+850
$22,000	−110	+170	+440	+650	+790
$23,000	−220	+60	+330	+540	+680
$24,000		−50	+220	+430	+570
25,000		−160	+110	+320	+460

[1] Indicates amount to be added to CSS negative contribution.

BALL STATE UNIVERSITY,
Muncie, Ind., February 19, 1975.

Representative JOHN BRADEMAS
Rayburn House Office Building,
Washington, D.C.

DEAR REPRESENTATIVE BRADEMAS: The following letter is in regard to the "Notice of Proposed Rule Making" by USOE as it appeared in the February 19 issue of the Federal Register. The Office of Education proposes to amend Parts 144, 175, and 196 of Title 45 of the Code of Federal Regulations governing the operation of the NDSL, CWS and SEOG Programs. If this proposal is permitted to stand, it would have an immediate and a long range effect upon the operation of the Student Financial Aids Office at Ball State University.

For the 1976 fiscal year (the current processing year), the proposed amendments would legislate an additional set of "taxation rates" on parental incomes and assets for the three campus-based programs. The two national need analysis systems are still acceptable for determining the total need of the student, but awards from the three campus-based programs and the BEOG program could not exceed the "need" of the student as calculated under the proposed federal system.

The establishment of a second measure of parental ability to pay would be detrimental to the ability of Ball State University to distribute federal funds for the next academic year on a timely basis. First, this office has already begun to do need analysis on applications received for the 1975–76 academic year. The mere publication of this Notice forces a delay in continued processing until the issue has been resolved.

Furthermore, a data processing packaging system was recently installed by the University which enables the Office of Student Financial Aid to distribute funds from all sources in an efficient and equitable manner. The formulation and installation of this system came about at a considerable cost to the University. It would not be possible for us to modify this system to accommodate two sets of "need figures" in time to package awards for next year. Thus, the action by the Office of Education at this late date would serve to impede the delivery system for all financial aid at this University; and my discussions with colleagues on other campuses having data processing capabilities would lead me to believe that our problem is not unique. What effect will this have on the ability of students to make financial arrangements for next year?

In discussions of the proposed rules that I have participated in with various USOE officials, I have repeatedly asked for some evidence to show that the new rule would effectively target more funds to students from lower-income families. I have received no reply. According to my own estimations, if Ball State University were to employ the current College Scholarship Service estimate of parental ability to pay, the students from lower-income families would receive a greater share of federal dollars than under the proposed federal system. If this evaluation is accurate, if the proposed rule is being promulgated to insure access to federal funds by the neediest students, and if the distribution of federal funds to institutions has already been accomplished, what is the necessity for establishing a new standard of parental ability to pay for federal funds?

From a long-term perspective, the proposed amendments establish procedures and standards by which the Commissioner would review and approve private need analysis systems on an annual basis. The criterion for this approval would be the degree to which they approximated a prescribed federal standard. Furthermore, these approved systems would be employed in determining the student's total need from all sources—federal, state, institutional, and private. Again, this action by the Office of Education seems particularly untimely since the National Task Force on Student Aid Problems (which is reviewing the necessity for the coordination of financial aid programs, the need for a common application, and the establishment of a single measure of parental ability to pay), is scheduled to report their findings in May.

In addition, the federal standard is to be based upon the College Scholarship Service's need analysis system for fiscal year 1975 updated for changes in the consumer price index. Does this mean that there will be no system changes in the future? If changes in the system are to be considered, what agency within USOE currently is studying the system to determine what changes would be appropriate; and what method will be devised to discuss these changes in the field before they are implemented.

It would seem to me that the Office of Education has every right to be a full *partner* in establishing and approving need analysis systems. However, if they independently prescribe a federal standard against which all other need analysis systems will be judged, the Office of Education will in effect dictate a need analysis system for institutions and state agencies without their effective participation. If by their own admission the Office of Education is taking the current action in order to target federal funds in a time of limited appropriations, what will prevent that Office from using the federal standard of need analysis as a rationing device in the future rather than a national "yardstick" of need assessment. It would appear that any decision as to an appropriate need analysis system should be made by a representative group of interested parties based upon ongoing research and empirical data.

Based upon my perspective as an institutional financial aid administrator, I would like you to consider supporting the following recommendations:

1. Because of the untimely promulgation of the proposed rules, the Office of Education should be instructed to accept the need analysis systems of the College Scholarship Service and the American College Testing Program for the distribution of federal funds in fiscal year 1976.

2. That the Report of the National Task Force on Student Aid Problems be studied in regard to their recommendation for methods to achieve a single standard of parental ability to pay for post-secondary education *before* USOE proposes a new system of federal standards.

Sincerely,

NORMAN E. BECK,
Director, Student Financial Aids.

A RESOLUTION

Whereas the proposed annual review mechanism for approval of needs analysis standards, published in the Federal Register of February 19, 1975, may be implemented immediately by the Commissioner of Education, following the mandatory 45-day waiting period, as final regulations applicable to student aid awards for the academic year, 1975–76; and

Whereas such rules are promulgated without benefit of public hearing or meaningful dialogue, and, without documenting a necessity for change; and

Whereas the legislative injunction mandating the Office of Education to make equitable distribution of funds is not intended to authorize unwarranted interference with internal institutional policy considerations or supplant the historic rationale of established statistical data exercised by experts to establish the ability of families to contribute to educational costs; and

Whereas it appears that the aforementioned rules are designed to ration funds and do not identify the needs of the college student for financial aid as purported and as generally understood; and

Whereas the proposed rules may redirect funds from the neediest of students to those with less need because of the regressive and negative effect of artificially reducing eligibility for available dollars, thereby permitting students from families with greater financial strength to enroll and claim those available dollars; and

Whereas in addition to the untimeliness of these revised standards resulting in disruption and delay in award decisions for the current year, the proposed increase in family contribution figures in a period of rampant inflation and recession will create unrealistically low impressions of student financial need which could be used as a basis for reduced support from state, private and institutional sources, thereby destroying the laudable congressional goals of equal access and choice in post secondary education: Therefore, be it

Resolved, That the Southern Association of Student Financial Aid Administrators urges the Office of Education to continue without change the present federal regulations governing the operation of the National Direct Student Loan Program, The College Work-Study Program, and the Supplemental Educational Opportunity Grants Program, in order to assure that funds from these three programs will be distributed to the most needy students first, thereby fulfilling statutory purposes of legislation creating these programs, as well as the stated commitment of members of this Association: Be it further

Resolved, That members of Congress, to whom this petition is directed, disapprove and disallow the aforementioned rule change in the interest of fair and equitable treatment of students seeking educational opportunity.

Mrs. **Priscilla M. Light**,
President, Southern Association of
Student Financial Aid Administrators.

Dated February 19, 1975.
Richmond, Va.

West Virginia University,
Morgantown, W. Va., February 28, 1975.

Dr. **John D. Phillips**,
Associate Commissioner for Student Assistance, Bureau of Post Secondary Education,
U.S. Office of Education, Washington, D.C.

Dear Dr. Phillips: The following is offered in response to the "Notice of Proposed Rule Making" published in the *Federal Register* February 19, 1974, which will change the need analysis system used by "the greatest number of students".

The wording of the proposed rule making acknowledges hardships inherent in the timing of the change but obviously these potential problems were not considered to be of a degree that would merit a more manageable approach, such as specifying maximum parental contributions or gross income levels for participation in campus based programs. The major concern seems to be centered around the possibility of a shift of federal student aid dollars to higher income levels. Would not the above approach target these funds to lower income levels on the most needy without an arbitrary reduction of identified financial need of our student population as developed by the "most used system"?

There is no evidence in the proposed rule making that any attempt was made by Federal economists to establish a well founded approach to resolving the

the concern of the Office of Education. Instead the "most used system" was adopted as the benchmark.

The reduction of parental expectations by 20% using *adjusted effective income* creates some problems in my non-economist mind. Would this have not provided a more equitable outcome if the adjustment had been applied to net income (gross minus business expenses)? When the computations move beyond adjusted effective income, (reduced 20%) does the Financial Aid Office use this year's ($900) or last year's ($1150) maintenance allowance to compute the contribution when more than one in a family is attending post secondary institutions?

How does a financial aid officer at an institution having limited resources of its own meet the commitment made to students for SEOG in 1975–76 based on curves announced last August, who now finds those same students potentially ineligible for any SEOG if the proposed rules are adopted as a result of the Family contribution exceeding half the cost of education? Yes I know that OE has announced no allocations to individual institutions for 1975–76. This recent action of "rug-pulling" may develop some appreciation by OE of the hesitancy demonstrated when the financial aid officer was encouraged to make written commitments to not only seniors but junior high school students, a few years ago.

This leads me to my final point and major complaint with the announcement of proposed rule making. Although aspects of the rules do present an appearance of being a last minute approach to resolving an issue, I am reasonably certain that the decision to take this action was made several weeks, if not months, ago.

Why then was no word communicated to institutions that a *possibility* of this action was in the offing. If the bureaucracy prevented official dissemination of this word I am sure the unofficial route could have been employed as it has been with issues in the past. If I am wrong in assuming that the decision to take this action was made some time ago, then I ask a bigger "Why"?, since the College Scholarship Service tables were announced last summer.

I certainly think that it is time the childrens game of King of the Mountain stops being played by OE, the Congress, CSS, ACT, NASFAA, etc., etc. and the serious task of attempting to deliver programs to accomplish our stated goals in an efficient manner be undertaken.

Sincerely,

NEIL E. BOLYARD,
Director of Financial Aids.

FLORIDA ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS,
LEGISLATIVE RELATIONS COMMITTEE,
February 14, 1975.

Hon. WILLIAM LEHMAN,
House of Representatives,
Washington, D.C.

DEAR MR. LEHMAN: I know that you are well aware of the "eleventh hour" move by the Office of Education to unnecessarily impose a severe hardship on parents and students throughout the nation who seek aid for college expenses. I am sure that your staff is already working hard to respond to the major question of a sweeping decision to preempt our national needs analysis services. My purpose in writing is to let you know that we are terribly distressed about what this will do to families in our state this spring and summer and to reinforce the information that has been given to you by NASFAA.

I can't help but recall the numerous statements by high ranking Office of Education personnel blaming Congress year after year for the late delivery of student financial assistance funds. Now, after Congress has stepped forward to close this door of excuse to the Office of Education by its approval of appropriations legislation early enough for us to do our job effectively and efficiently, the Office comes up with a spurious reason to impose their needs analysis system on the nation. We deserve better than this. First, College Scholarship Service and American College Testing Service are respected organizations that have won our confidence in the marketplace. Secondly, the imposition of a federal needs analysis system places a mailed boot on the head of one of the last bastions of proven democratic process.

I urge you to make every effort to, first, postpone any changes to the needs analysis systems this year and, secondly, to prevent the demise of a proven needs analysis philosophy that has the respect and support of critical evaluators in the field of student college finance.

Thank you so very much for all that you are doing to keep the doors of education open for all.

Very truly yours,

I. DOUGLAS TURNER,
Chairman.

PREPARED STATEMENT OF DR. JOHN E. TIRRELL, VICE PRESIDENT, GOVERNMENTAL AFFAIRS, AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Mr. Chairman: My name is John E. Tirrell, Vice President for Governmental Affairs of the American Association of Community and Junior Colleges. AACJC represents over 1,000 institutions that last fall enrolled over 3,500,000 students. Even though we have low tuition, because living costs are the same and we enroll more low income and minority students, over 50% of our students need financial aid.

At the outset, I want to state appreciation for the concern and action in the matter of changes effected by the College Scholarship Service on August 15, 1974. At a meeting with the Acting Deputy Commissioner for Postsecondary Education in September, I expressed deep concern that while no one was certain, there were fears that the changes could/would shift funds away from low income students and low cost institutions—the constituency AACJC represents.

The record is clear that the Associate Commissioner, John Phillips, listened, attempted to gather factual data and initiated action. In my experience this is typical of Dr. Phillips, and for those admirable characteristics I am most appreciative.

As a community college president I was a member of a College Entrance Examination Board committee and in those times—ten years ago—strongly believed in voluntary cooperative action for st7dent financial aid. Funds were small, coming from a variety of sources, no one of which was a large percentage.

But as we have seen, the federal funds grew to such an overwhelming percentage of student aid funds that the role of voluntary membership groups determining policy and procedures has by reality been decreased. It might have continued for some years more, even though every piece of legislation clearly has given the U.S. Commissioner of Education the authority to approve or disapprove of all parts of the student aid programs—including needs analysis—if the very poorly timed changes had not been made last August.

In my opinion, this was almost a request for the Commissioner to exercise his authority—and an invitation to the expansion of federal needs analysis to NDSL, CWS and SEOG.

But, as always, to implement changes in the federal system takes time—a lot of time. And now we have proposals in front of us in February that by the required time periods cannot be final until April. Thus, we again have a very bad case of timing that will delay and confuse the awarding of funds to students.

There are two other major developments that should be considered in this regard.

First, after many months of effort by a large number of knowledgeable people, the "Keppel Task Force on Student Financial Aid" is about ready to report on one Common Form for applying for financial aid and a common Needs Analysis system. I have attended most of the reporting sessions and I believe they are very near the date of reporting both of these.

Second, Congressman James O'Hara has just introduced H.R. 3471, a new Title IV on student financial aid. All three of these programs are drastically changed in his proposals.

NDSL is phased out and the funds remaining at the colleges can be awarded as the college determines best.

SEOG is moved to the Commissioner's office and awarded mainly on merit to BEOG recipients.

CWS is given to the states on a most direct formula (no Mickey Mouse allotments with the Review Panels) and has no need analysis for award.

For these reasons, Mr. Chairman, I would believe the large majority of students in the country (not necessarily in AACJC member colleges) would be best served for this year's awards if the proposed regulations were withdrawn for now.

I believe you have made your point. No one has challenged the legal authority to do this. The independent need analysis services have been put on warning that any other capricious and/or ill timed changes will not be tolerated—and they are expected to work within some parameters that are in the best interests of the supplier of the largest share of student financial aid funds.

I believe the statement on the first page, fourth full paragraph of the "Dear Colleague" letter Commissioner Bell sent out on this matter:

"This rule does not establish a Federal need analysis system, but rather accepts the need analysis methodology and rationale developed by private parties, provided that they meet standards of comparability set forth in the regulations."

While I have not had an opportunity to poll our entire membership, or have a meeting of our Commission on Governmental Affairs that gives me policy direction, I feel confident from contact with many of our members that AACJC would prefer the withdrawal of these regulations for now. I am more confident that the Association will work diligently for a mandatory Federal Needs Analysis if the private voluntary services do not provide equitable policies and procedures that are broadly debated and initiated in a timely manner.

THE UNIVERSITY OF SANTA CLARA,
March 7, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, Bureau of Postsecondary Education, U.S. Office of Education, Washington, D.C.

DEAR DR. PHILLIPS: The University of Santa Clara would like to take this opportunity to respond to the proposed Office of Education changes in need analysis, as published in the Federal Register on February 19, 1975.

The University deeply appreciates the commitment by the Office of Education to assure an equitable method of need analysis; and although we understand the position the Office of Education has taken with regard to the changes made by the College Scholarship Service and the American College Testing Program, we do feel that this is the worst possible time for the Office of Education to be promulgating additional changes in the method of need analysis.

Student Financial Aid officers are currently in the process of notifying students nationwide of their eligibility; and in a substantial number of cases, have actually packaged and made offers to a number of new students. We feel that these proposed Office of Education regulations would effectively delay any further notification of students, perhaps until May or June; and necessitate that all packages prepared to date be revised in accordance with the new regulations. This delay in notifying students of funds available to them for 1975–76, we feel, would create undue confusion and seriously impair the students' ability to freely choose public or private education.

On this basis, we respectfully request that the Office of Education not move forward with the implementation of a new need analysis system for 1975–76. We feel that the best interest of all parties concerned, and especially the students involved, would be better served if the Office of Education were to consult at greater length with both public and private institutions; and in particular, with the College Scholarship Service and the American College Testing Program, giving careful reconsideration to the consensus model being developed by these agencies. If at that time the Office of Education feels that changes in the need analysis system are in order, then we feel that it would be more logical to implement these changes for the 1976–77 academic year.

We are grateful for this opportunity to express our opinion.

Sincerely yours,

THOMAS D. TERRY, S.J.,
President.

MARYMOUNT COLLEGE,
Tarrytown, N.Y., March 4, 1975.

Representative MARIO BIAGGI,
U.S. House of Representatives,
Washington, D.C.

DEAR REPRESENTATIVE BIAGGI: It often surprises me how reluctant we are to face facts. Reality gets pushed into a corner and we contort the "facts" to serve our own purposes.

You may think this is an unusual introduction to the subject of the Office of Education's latest foray into the world of needs analysis as published in February 19's Federal Register but I'm convinced it's the underlying issue.

This fall the College Scholarship Service had the foresight to perform an honest, well-researched analysis of our current inflationary economy and produced a realistic expectation of parental contribution toward college expenses. But such a slice of life did not serve the purposes and contingencies of all those involved. Please note the parents have been forgotten in the controversy.

Sidney Marland, president of the College Scholarship Service, has proclaimed there will be a $2 billion dollar need gap for the coming academic year. No doubt there will be such a yawning cavern.

However, the Office of Education has seemingly decided the projected need doesn't exist. Since federal funds can't be squandered on mythical need, OE has produced its own version of needs analysis. A part of the scenario is that Congress shouldn't be rattled by the fact that too little money is appropriated for student assistance.

My point is that this need gap has nowhere been proven to be mythical. The Department of Health, Education and Welfare letter notifying us of the new tables merely gives this reason for the change: . . . "the major need analysis systems announced changes in their methods of estimating expected family contributions considerably in excess of adjustments needed to account for inflation alone." That these adjustments had to be made to reflect what every family faces in today's economy is ignored.

The new College Scholarship tables are realistic in their expectations. All concerned are spinning around in an attempt to cover up this fact and serve their own purposes.

I contend financial aid administrators have the professional expertise to supplement what parents can realistically contribute toward college expenses with the appropriate institution, state and federal funds. There is absolutely no necessity for an artificial scale to govern the distribution of federal student assistance funds.

Aid officers have done an admirable job of dealing with this reality to date and there's no indication that an announced need gap is going to deter us from a correct and just analysis of each student's financial circumstances. "Need gaps" aren't new to the profession and there's no reason for the Office of Education to gloss over this one to save face.

I can certainly understand the concern that money could be deterred from the very neediest students because of the increase of demonstrated need at all income levels. However that hypothesis can't be fairly made without conclusive evidence calling for the currently proposed rationing device.

The Office of Education's plan to have two systems of needs analysis in effect for the coming year—one to govern the distribution of federal student assistance funds and the other to determine the total amount of aid a student may receive from all resources guarantees chaos for everyone—colleges, students, parents and the Office of Education. Remember the Guaranteed Student Loan fiasco in the summer of 1972.

My top priority is that needs analysis is accepted for what it is, not a rationing device that leaves us all supposedly smelling like roses. Second of all, if such a change must be considered, it should be in a more timely fashion. The middle of the financial aid award cycle certainly doesn't meet this qualification.

I hope you will support my position that the proposed Office of Education regulation is a matter of "too much government."

Sincerely yours,

M[illegible]EILEEN J. DORAN,
Director of Financial Aid

NEW YORK STATE FINANCIAL
AID ADMINISTRATORS ASSOCIATION,
Cortland, N.Y., February 29, 1975.

HON. JONATHAN B. BINGHAM,
Member of Congress,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. BINGHAM: This letter is meant to acquaint you with a matter which demands your immediate attention and action. The Federal Register of Feb. 19, 1975, contains a Notice of Proposed Rule Making by the U.S. Office of Education

(OE) regarding campus based (distributed) student aid programs: National Direct Student Loan (NDSL), College Work Study Program (CWSP) and Supplemental Educational Opportunity Grants (SEOG).

If implemented, the proposed rule making will have drastic affects on your constituents—both those who are presently enrolled and those who plan to enroll—in colleges, universities and other post-secondary educational institutions. Very simply, should the OE proposed rules be accepted, the awarding of student financial aid will be thrown into a state of chaos—having negative repercussions for students, families, and institutions.

Traditionally a substantial number of the more than 464 post-secondary institutions in New York State have required students to submit documentation of financial need on or before February 15th. Thus the financial aid officers are allowed adequate time for careful and professional analysis of each request which is in accord with the intent of the enabling legislation. Necessary administrative and decision-making procedures at the institutional level have been appropriately set in motion. A survey of the New York State Financial Aid Administrators just completed indicates that thousands of notices of award have already been determined and many students notified accordingly. The scheduling of financial aid awards historically adhered to is essential to the effective and equitable fiscal planning of students, parents and institutions. OE's impending action will result in confusion and undue hardship.

The Office of Education is questioning the validity of the most recent Expected Family Contribution Schedule published in *August 1974* by the College Scholarship Service (CSS). It is extremely difficult to understand why it has taken the Office of Education from August 1974 (7 months) to analyze and conclude that the schedules concerned are inadequate.

The publication in the Federal Register of the Notice of Proposed Rule Making begins a *minimum* 45 day period before final approval, meaning mid-to-late April implementation and retroactive adjustment to hundreds of thousands of awards. I ask you to intercede in this process immediately so that students and their families will not experience another period of unnecessary disruption of their plans, such as the 1973 Guaranteed Student Loan fiasco. Your help is urgently needed, and I thank you in advance for your assistance.

Sincerely,

RICHARD P. BIONDI, *Director.*

MESA COLLEGE,
Grand Junction, Colo., March 25, 1975.

Congressman JAMES O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: The Region VIII Office of Department of HEW, US Office of Education has informed the financial aid officers under its jurisdiction that perhaps as much as $135,000,000 of BEOG funds will not be utilized this year. HEW is requesting carry-over authority which they did last year and which after considerable criticism by congress was approved. The same criticism I expect will prevail again this year.

I would like to point out at this time Congress itself may be partially responsible for this under utilization of BEOG funds. As you, I am sure, are aware the maximum BEOG for 1974–75 was $1,050. This is approximately 40% of the normal college resident student budget at public supported institutions of higher education. Therefore, a student receiving a BEOG must receive supplemental funding from some other source in order to attend a post high school educational institution. Traditionally this funding has come from the three college base programs NDSL, SEOG and CWSP along with the Guaranteed Student Loan Program. In recent years Congress has opened the flood gates by expanding eligibility for these programs to include proprietory schools and ½ time students while at the same time they have been reluctant to increase significantly the funding for these student financial aids programs. In addition inflation has increased college student budgets. The plight of the rancher, at least in the west has caused many of the lending agencies to reduce their participation in the GSL program if not discontinued completely because they feel assistance to the rancher deserves a higher priority.

The point is this, the BEOG does not totally take care of a college student's financial needs. I have had many students who applied for and were eligible for a BEOG but because all of our college base funds were already committed they were unable to attend or enroll, therefore, were forced to drop out. Obviously this resulted in unused BEOG funds. It is quite apparent that this exact same situation will occur again in the 1975–76 academic year.

We have been notified of our state allotment percentages for 1975–76. At our institution it is conceivable that we will not be able to assist our incoming freshman students from the college based programs if a large percentage of our currently enrolled students decide to return next year. Therefore, a BEOG to these freshman students will be inadequate to keep them in school. While we in financial aids do appreciate the support we have received in the past to allow Congress to place the blame for under utilization on the financial aid community and schools or to assume because of under utilization of the BEOG program that need does not exist would be an error of significant consequence. On the contrary, at least at our institution, the unmet need of our potential student body is greater than at any time in the past five years. I use the word potential because I know that many who plan to attend and will be eligible for BEOG will not enroll because of the unavailability of supplemental funding from the three college base programs.

Sincerely,

BUD SMOCK,
Director Financial Aid.

CALIFORNIA COMMUNITY COLLEGE STUDENT FINANCIAL AID
ADMINISTRATORS ASSOCIATION,
March 4, 1975.

DR. TERREL H. BELL,
Commissioner of Education,
U.S. Office of Education,
Washington, D.C.

DEAR COMMISSIONER BELL: The Executive Council of the California Community College Student Financial Aid Administrators Association, which serves and enrolls over one million students in the state of California, endorse the attached resolution of the Western Association of Student Financial Aid Administrators Association. We urgently request your reconsideration of the published *Federal Register* modification of the current need analysis system for the 1975–76 academic year.

As stated in the attached resolution, our membership is deeply committed to the use of federal funds to promote access to post-secondary education by students with the greatest financial need. We feel that the timing is such that an attempt to implement a federal need analysis standard for the 1975–76 year will create total chaos in the award process and will be most disruptive in our process of award notifications to students. Many of our member institutions are already well into the need analysis review of students for the 1975–76 year.

We feel the objectives of the Office of Education can be better achieved by limiting eligibility to federal campus-based student financial aid programs to specify maximum parental contributions to students with greatest financial need to the extent possible.

Sincerely,

WILLIE O. JONES, *President.*

Attachment.

RESOLUTION

Whereas the Western Association of Student Financial Aid Administrators is deeply committed to the use of federal funds to promote access to postsecondary education by students with the greatest financial need, and

Whereas the Western Association of Student Financial Aid Administrators recognizes that recent changes in the national need analysis sytems may redirect the funds away from the most needy students; and

Whereas the Office of Education intends to establish a federal need analysis standard with less than adequate planning and without sufficient input from the educational community; and

Whereas the timing is such that the attempt to implement a federal need analysis standard for the 1975–76 year will create total chaos in the aid award process; and

Whereas any attempted implementation of a federal need analysis standard is quite likely to be taken as a basis for reductions in student aid resources made available by state agencies and institutions because of the fiscal constraints which they face: Now, therefore, be it

Resolved, That the Western Association of Student Financial Aid Administrators urges the Office of Education to abandon its intention of establishing such a federal need analysis standard and instead seek to achieve its objectives by providing regulations which will ensure that aid awards go to the most needy students on the basis of family ability to contribute.

STATE UNIVERSITY OF NEW YORK AT ALBANY,
Albany, N.Y., March 7, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR CONGRESSMAN O'HARA: Offices of Financial Aid throughout the colleges of our nation must have a parents' contribution system for determining aid to students. My opinion and the opinions of my colleagues are that expedience must outweigh the contention of which system will produce a higher or lower national need level, when neither of the two systems under consideration will present an aggregate national need factor that can be provided for under present appropriations.

The questions of what compromises have to be made and by whom are eating up time that is critical to colleges that are seeking to make financial aid commitments to the many thousands of students seeking post-secondary education. The frustration and anxiety that are arising from the failure to resolve this problem in a timely fashion appears totally unwarranted.

Please do all within your power to resolve this problem as soon as possible. Thank you.

Sincerely yours,

DONALD A. WHITLOCK, *Director, Office of Financial Aids, Executive Councilman, Region IV, N.Y. State Financial Aid Administrators Association.*

MERCY COLLEGE,
Dobbs Ferry, N.Y., March 7, 1975.

Hon. JAMES O'HARA,
Chairman Subcommittee on Postsecondary Education, House of Representatives, Washington, D.C.

DEAR MR. O'HARA: I urge you not to approve the proposed new regulations governing the review and approval of need analysis systems for use with the federal student aid programs.

To implement these changes at this time when we are ready to make financial aid awards for next year can only result in serious delays. The students who we will be helping through these programs cannot benefit from so serious a disruption in the process of awarding whatever funds the schools will have at their disposal. And no matter how the tables are changed, it will still be the same students—the neediest—who will receive what is available.

Again, I ask you, please do not approve the proposed new regulations.

Sincerely,

MARION DALE,
Student Financial Aid Officer.

ESSEX COMMUNITY COLLEGE,
Baltimore County, Md., March 4, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: The U.S. Office of Education recently published proposed rules relative to the approval of need analysis systems for purposes of determing the eligibility of individual students for the federal student assistance programs which are administered by institutions of postsecondary education. The affected programs, known as the campus-based programs, are Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans.

While I understand USOE involvement in the approval of need analysis systems, I feel that the Office of Education has over-reacted. In the past, the Office of

Education has in essence delegated the determination of reasonable eligibility to the financial aid community, as represented in the national need analysis services' construction of estimated "ability to pay" standards. Apparently, this delegation was felt to be satisfactory until revisions in the College Scholarship Service's system were announced this past August, followed by adjustments in the ACT system somewhat later. While I can understand why the dimensions of the adjustments by the national services led to concern within the Office of Education, I believe that there are other means of addressing those concerns than than the one which is apparently on the verge of being proposed in the *Federal Register.*

The implications of a "federal standard of ability to pay" which were incorporated in the proposed rules on approved need analysis systems, I feel, masked the real need for student assistance resources by over-estimating the ability of families to contribute to educational costs of their dependents. I believe that the utilization of realistic estimates of ability to pay are extremely important in order to reflect the real needs of students, even though the resources available from all funding sources may be inadequate to meet those neesd. Otherwise, we delude ourselves that students are relatively well taken care of, and create an unawareness to the pressing need for additional funding. It makes much more sense to acknowledge to parents, students, and the general public that our resources fall short, rather than to suggest to parents and students that they have an obligation and an ability to provide support which is really beyond their means. While it may be unfair, it is widely presumed that USOE's primary motivation for the control of eligibility for federal programs through prescribed outcomes for family contribution is to minimize the pressure for appropriations beyond the budgetary plans of the Administration. While I can appreciate the need for fiscal responsibility, I feel that it is inappropriate to minipulate "student needs" in order to achieve that purpose.

I would not argue that the national need analysis systems are perfect and beyond the purview of the Federal Government to evaluate and question. Yet the new procedure does not appear to be objective, for the economic rationale is not being investigated. It seems to me, the proposal substitutes one subjective estimate of ability to pay for another, even though the systems presently in use have a long established test of reasonableness in the market place. The Office of Education has apparently assumed that because the new expectations are significantly different than the old expectations, that the old were right and the new are wrong. I would suggest that the opposite is true i.e., that the old expectations were too conservative and that the new expectations are much more reasonable in light of the current economic situation. If the U.S. Office of Education refuses to acknowledge a need that is real, it squelches any efforts that might be made to appeal to other funding sources. On the other hand, if USOE will assist to legitimize these needs, alternative sources of funding are much more achievable.

I feel alternative methods of addressing the legitimate USOE concerns about redistribution of federal student assistance dollars from the population currently served to a less needy recipient group should be explored. One means of minimizing the disruptive impact of expanded eligibility I support is establishing, within the group of "needy" students, some parameters of eligibility for federal funds which would ensure that the "neediest of the needy" were served with federal tax dollars and that the remaining needs were filled to the extent possible by other resources. This approach could entail ceilings of gross family income or parental contribution beyond which students were not eligible for federal dollars. These ceilings, either in gross income or family contribution as estimated by the national need analysis services could be established on the basis of federal dollars available, in order to most effectively use those limited resources. I believe that this approach, carefully and jointly developed, would be a more effective and responsible means of meeting the Commissioner's responsibility for effective use of federal student aid resources than would the manipulation of need through the establishment of "federal standards of ability to pay".

This alternative has the further advantage that confusion and "do over" work at the institutional level could be averted during the next six months. If student "need" is not manipulated by proposed rules, but only restricted eligibility for federal programs imposed in the manner above, institutions can continue to process confidential financial statements and applications during the response and Congressional review periods for proposed rules and final regulations, stopping just short of notifying students regarding their actual eligibility. Otherwise, all institutional review of student applications is effectively halted until the end of April, at the earliest. As a result, all student notifications would be extremely late by the time the back-logged evaluations could be completed, attendance opportunities would be uncertain for both the students and institutions, and much confusion and frustration would be present. As a member of the aid community, I hate to see this happen.

In summary, I would recommend that USOE take no action this year regarding revision of the regulations concerning the approval of need analysis systems. I believe that the financial aid community will respond to the increased importance of sound professional judgment for the effective use of federal funds without further constrictions. I suspect that the recipient group will change very little without further action, just on the basis of limited funds available and the professional dedication which exists to help the most needy students first.

Sincerely,

BARRY WEINBERG,
Director of Financial Aid.

THE CALIFORNIA STATE UNIVERSITY AND COLLEGES,
Los Angeles, Calif., March 7, 1975.

Dr. JOHN PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, Department of Health, Education, and Welfare, Washington, D.C.

DEAR DR. PHILLIPS: On behalf of The California State University and Colleges, I am writing to protest the proposed rule relative to U.S. Office of Education approval of need analysis systems for purposes of determining student eligibility for federal student assistance programs which appeared in the *Federal Register* on February 19, 1975.

The expressed intent of the proposed rule is to achieve equity in the awarding of federal financial aid funds to eligible students. I applaud that objective. However, in actuality, the new federal standard would have two adverse effects on our needy students, approximately 21,000 of whom are dependent upon National Direct Student Loans, College Work-Study and Supplemental Educational Opportunity Grants in order to pursue their academic studies:

(1) It would so disrupt the processing of financial aid applications as to result in a delay of several months in our being able to make awards to students for the 1975–76 academic year.

(2) It would significantly increase the amount their parents would be expected to contribute toward the cost of their sons' and daughters' education.

To illustrate the point, a family with an adjusted effective income of $7,000 and one dependent child will be expected to contribute $480 more than under the present system. Similarly, a family with an adjusted effective income of $10,000 and three dependent children will be expected to contribute $420 more than under the present system. I do not believe that these increases in expected parental contributions are realistic in light of the current economic situation and the timing of this announcement.

In the interest of all concerned parties—students, parents, and campus administrators—I strongly urge you to withdraw this proposed rule.

Sincerely,

GLENN S. DUMKE, *Chancellor.*

STATE COLLEGE OF ARKANSAS,
CONWAY, ARK., *March 6, 1975.*

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: The Office of Student Financial Aid at the University of Central Arkansas, respectfully requests that you reconsider the proposed rules which the U.S. Office of Education published on February 19, concerning the approval of need analysis systems for purposes of determining the eligibility of students for the federal student assistance programs which we administer, including Supplemental Educational Opportunity Grants, College Work-Study and National Direct Student Loans.

We do not question the position you have taken that there may be a need to reevaluate the need-analysis systems in use by colleges and universities. However, our major concern is the timing of the decision. We, at the University of Central Arkansas, use the American College Testing Need Analysis Service. At this time, we have received many completed applications, including the Comprehensive Financial Aid Reports from ACT, for the summer terms and the academic year. Our students are already inquiring of us as to when they will know the amount of financial aid they may expect to receive. Many of them, the majority of our students, must know a reasonable length of time before the term begins just how much aid they will receive because their ability to attend is directly influenced by this fact. We feel that a long delay may cause many of our students to be forced to decide against attending college altogether.

Not only is this a concern, but, since we are dealing with a great number of students, and we manually complete each financial aid package, a delay would cause us to be very late in making the awards to our students and would completely disrupt our office procedures.

We appreciate your efforts for the students of our country, and the fine work you are doing in the area of financial aid.

Sincerely yours,

MARVIN BISHOP,
Director of Student Financial Aid.

EASTERN MICHIGAN UNIVERSITY,
Ypsilanti, Mich., March 5, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, Bureau of Postsecondary Education, U.S. Office of Education, Washington, D.C.

DEAR MR. PHILLIPS: We are concerned at the potential effect of the recently published proposed federal schedule of parental contributions intended to be used in the administration of campus based federal financial aids funds for the 1975–76 fiscal year. While we recognize and agree with the intent behind the publication of this proposed schedule, we believe that if implemented it would cause severe administrative problems; would lead to considerable confusion on the part of students, parents, high school counselors and others involved in the financial aid process; and further complicate attempts to coordinate financial aid funds to students.

We would point out the following for your consideration and urge an alternative method of accomplishing your desired attempt of directing federal financial aid funds to the neediest students:

1. The publication of this proposed schedule comes very late in the cycle of financial aid planning and awarding for 1975–76. Many institutions, including Eastern Michigan University, have already begun the awarding of 1975–76 federal financial aid funds.

2. Unless we are to attempt to guess in advance whether or not the proposed schedule will be implemented, we must delay processing of all applications for federal financial aid for 1975–76. This creates confusion and anxiety on the part of the students and seems to run directly counter to the laudable efforts of the Basic Grants division to have the 1975–76 Basic Grants system operating by mid-March.

3. In view of the considerable progress made under the aegis of the Keppel Task Force toward both a common data collection form and a uniform method of assessing need: it seems unduly complicating to introduce another parental contribution schedule which probably would be used for only one fiscal year.

4. Inequities will occur since some students will have access to additional non-federal financial aid to meet their need as calculated by the College Scholarship Service or American College Testing Program, while other students will not.

For all of these reasons we would urge that the proposed federal parental contribution schedules not be adopted. If it is still felt necessary to provide some more specific direction regarding the allocation of federal campus based financial aid funds, consideration should be given to the mandating of certain maximum parental contribution and/or family income levels for the awarding of federal financial aid funds. However, we believe that the structures of the current law are sufficient; and we pledge our institutional efforts to directing federal funds to those students who are most in need.

If I may provide you with further information, please feel free to contact me.

Sincerely,

JAMES H. BRICKLEY, *President.*

UNIVERSITY OF DELAWARE,
Newark, Del., March 13, 1975.

HON. JAMES G. O'HARA,
Chairman, Subcommittee on Postsecondary Education, Rayburn House Office Building, Washington, D.C.

DEAR MR. O'HARA: On February 20, 1975, the Office of Education published in Part III, Volume 40, Number 35 of the *Federal Register* revised rules and regulations for the Guaranteed Student Loan Program. This revision included new requirements for participating institutions regarding refund policies (177.63), career information (177.64), and admission criteria (177.65).

Section 177.63 not only requires that participating institutions refund fees to students who fail to enroll or who withdraw prior to completing the period of study for which fees are paid, but also, the regulations specify in some detail the conditions under which such refunds must be made. Section 177.64 not only requires that students seeking loans under the Guaranteed Student Loan Program receive career information, but specifies the nature and content of that information. Section 177.65 establishes criteria for the admission of students who will finance education through the GSL Program.

The University of Delaware supports the principle that colleges and universities should have equitable and fair refund policies, that career counseling and advisement should be an important part of the educational process, and that students enrolling in higher education should have potential to benefit from the program of studies in which they are enrolled. We object strongly, however, to a mandate from the U.S. Office of Education as to how refunds shall be made, the kind of career information which must be provided, and the basis on which students must be selected for admission. This is clearly interference in the internal operation of colleges and universities and a subversion of the traditional authority which is vested in the trustees, the administration, and the faculty of institutions of higher learning.

Were regulations such as these imposed as conditions for institutional participation in some other kind of federal assistance program to higher education, then each institution could decide for itself whether or not to participate in the program and enjoy the benefits therefrom. These regulations are particularly insidious in that they apply to a widely-used financial aid program which opens educational opportunities to students. Consequently, an institutional decision not to participate in the GSL Program would impact primarily on students and only indirectly, through possible loss of enrollment, on the colleges and universities themselves.

These regulations are even more alarming when reviewed in the context of a series of regulations and guidelines in recent prerogatives and authority of our colleges and universities to manage their own affairs. We believe that one of the greatest strengths of higher education in America is its diversity and its freedom from standardization and external control.

Congress has 45 days to act from the date regulations are published before the regulations become binding. I urge you to vote to reject these regulations for the reasons that they go far beyond the intent of the law which established the Guaranteed Student Loan Program and interfere with the internal operation of colleges and universities.

Thank you for your consideration.

Sincerely yours,

E. A. Trabant,
President.

Oklahoma City University,
Oklahoma City, Okla., March 12, 1975.

Hon. James G. O'Hara,
Chairman, Subcommittee on Education,
Cannon House Office Building, Washington, D.C.

Dear Congressman O'Hara: On February 19, 1975, the *Federal Register* (Vol. 40, No. 34, pp. 7100ff.) contained regulations proposed by the U.S. Office of Education prescribing requirements for need analysis systems used in the awarding of federal student financial aid.

The University objects to the approval and implementation of these regulations. There are several reasons for our objection.

(1) The regulations would *perpetuate inequity*. The Basic Educational Opportunity Grant Program and "Income Tax Method" of need analysis are exempted from the regulatory requirements. When compared with the parental contribution levels prescribed by the proposed regulations, the two exempted methods produce substantial variances and, thus, inequities in treatment of students from similar financial circumstances. It is also puzzling that the regulations allow "over-awarding" of students to the level of need determined by the currently-used national financial aid services, so long as only institutional funds are used for the "over-award." This only exacerbates the inequities promulgated by the regulations.

(2) The regulations will cause undue *confusion and delays* in the awarding of student financial aid for the 1975–76 academic year. In our view, the proposed regulations cure nothing, but rather aggravate an already complex situation by adding yet another need analysis system to govern student financial aid. In addition, the regulations are proposed at the very time of year when financial aid commitments for the coming academic year have traditionally been made so that students can make reasoned choices about their attendance in postsecondary education.

(3) The regulations represent *federal intervention* in an area which has heretofore been characterized by voluntarism. The free participation of postsecondary institutions in the two major national need analysis systems, those of the College Scholarship Service and the American College Testing organization, has until now met with no apparent objection from the U.S. Office of Education. It seems to us that the proposed regulations have a political, rather than a student-oriented, motive. Namely, the Administration has chosen through regulatory sanctions to deny the existence of an aggregate national student need for financial aid which greatly overshadows the total resources (from whatever source) available to help meet that need. We believe that, from the viewpoint of our students' parents, a realistic estimate of parental contribution toward postsecondary educational expenses—even though we may not be able to meet the resulting need—is preferable to a federal dictum which does not acknowledge their financial plight.

In addition, it is most regrettable that the regulations are proposed at a time when the National Task Force on Student Financial Aid Problems (chaired by former Commissioner of Education Francis Keppel and funded by the Carnegie, Ford, and Sloane Foundations and the Lilly Endowment) is close to concord in proposing a uniform methodology for determination of student need. Some would say that the U.S. Office of Education's participation in the Task Force has not been in good faith.

We urge upon the Congress the disapproval of the proposed regulations. We respectfully suggest to the U.S. Office of Education that the proposed regulations be withdrawn and that no new ones be proposed in their place.

Very truly yours,

Robert L. Jones,
Vice President for Academic Affairs.

MIAMI-DADE COMMUNITY COLLEGE,
Miami, Fla., March 13, 1975.

HON. JAMES G. O'HARA,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. O'HARA: It is our understanding that the Postsecondary Education Subcommittee began hearings on March 10 to consider the Office of Education's decision to preempt our national needs analysis services.

For your consideration, I have enclosed a copy of a recent letter responding to the notification of the Commissioner of Education's proposed new regulations. Recommend you consider these views in determining your committee's decision.

For the reasons contained in the response to USOE, we urge your disapproval of the proposal to establish a new federal standard of parental ability to pay for postsecondary education. We suggest continued reliance on the proven needs analysis systems of the CSS and the ACT for the academic year 1975–76.

Sincerely,

PETER MASIKO, Jr.,
President.

enclosure

MIAMI-DADE COMMUNITY COLLEGE,
Miami, Fla., March 13, 1975.

DR. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, Bureau of Postsecondary Education, U.S. Office of Education, Washington, D.C.

DEAR DR. PHILLIPS: We are most appreciative of Commissioner Bell's recent letter providing the notice of proposed regulations to impose certain federal controls over the major private need analysis systems. While we fully understand the concern in the Office of Education to assure that the purposes of student assistance programs are being carried out, we urge you to reconsider the methods proposed to restrict the use of CSS and ACT analyses for the academic year 1975–76.

The imposition of Federal standards of parents ability to pay for the cost of education several months after the financial aid cycle has begun will seriously disrupt the entire process. In fact, the fine efforts of USOE in advancing the notification of the Basic Grant awards and the institutional campus-based allocations, mentioned in the Commissioner's letter, would be rendered virtually meaningless.

The need for fiscal responsibility and the desire to minimize the pressure for appropriations beyond the plans of the Administration, may be achieved in other ways and not at the expense of deluding ourselves with unrealistic estimates of families' ability to meet escalating costs of higher education.

We suggest that a clear acknowledgment of the increasing gap between funding provided and true student needs is the first step in acquiring additional sources of funds to augment federal and other financial aid programs. Rather than risk "manipulating" of students' need, we recommend the alternative of ceilings of gross family income or parental contribution beyond which students will not be eligible for federal dollars. Another possible approach could be the establishment of selected criteria, such as rank order, to direct limited federal funds to the neediest students.

We recommend that USOE take no action this year regarding revision of regulations concerning the approval of need analysis systems. The financial aid community, we believe will respond to the increased importance of sound professional judgment for the effective use of federal funds. However, if this is not considered sufficient, the adoption of an alternative such as mentioned above will allow the financial aid award process to continue to function effectively.

Again, we appreciate the opportunity to express our views on this most significant problem and urge you to consider alternatives in lieu of the proposed regulations.

Sincerely,

PETER MASIKO, Jr.,
President.

THE UNIVERSITY OF MISSISSIPPI,
University, Miss., March 4, 1975.

HON. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: On February 19, the U.S. Office of Education published proposed rules changes effecting the operations of the National Direct Student Loan Program (NDSLP), the College Work-Study Program (CWSP), and the Supplemental Educational Opportunity Grant Program (SEOGP) of the Higher Education Act of 1965 as amended for the year 1975-76. These proposals, in my opinion, run counter to Congressional intent, and I earnestly appeal to you for relief.

First, I plead with you to disapprove these proposed rules because the National Task Force on Student Financial Aid Problems chaired by Mr. Keppel is in the middle of proposing some much needed reform. Such action by the Office of Education at this time would negate, in a large part, much of the efforts put forth since May 1974 to resolve many problems in student financial aid.

Second, I respectfully request you to disapprove these proposed rules because the timing is late so as to inconvenience the students who expect to benefit from the student financial aid resources since the 45 day public hearing period will not expire until April 5. Many institutions have already notified early admission applicants what aid they can expect to receive. Most institutions operate on March 15 to April 1 deadlines. The constant upheaval and disruption from year to year notifying institutions as to allocations, the uncertainty about legislation and changing the rules in the middle of the game only further erodes the already shaky public confidence in government.

Third, I urge you to disapprove these proposed rules because honesty is still the best policy. To report a realistic parental contribution in the face of inflation and recession is far better than to reflect a politically motivated expected parental contribution which results in simply rationing funds sought by the administration—i.e., the Office of Management and Budget. Why the sudden concern for equal and balanced distribution when there has never been full funding for student financial aid? Why not employ a "targeting" concept instead?

Fourth, I beg you to disapprove these proposed rules because implicit in the rules is a basic distrust in the integrity of the financial aid community in general and the individual practicing aid officer to use the funds for the neediest student—as the regulations already provide.

Fifth, I appeal to you to disapprove these proposed rules because standard setting for awarding aid, i.e., needs analysis, has been a public, noncoercive matter for over 20 years. Such "federalizing" need analysis appears to be an attempt to "re-claim" previously released territory. College Scholarship Service and American College Testing Service have in the past been encouraged by the Office of Education to assist institutions in setting standards for need, i.e., parental contribution. In the past 18 to 36 months, these two services have attempted to establish similar standards, and it appears now that there is a narrowing of any gap in the standard that the Office of Education is unwilling to wait for a reasonable resolution of the differences.

Sixth, I ask you earnestly to disapprove these proposed rules because the proposed tables have been set arbitrarily and apparently without substantive data.

Seventh, I sincerely believe you should disapprove these proposed rules because the entire proposal for rules change echoes of the "Watergate Syndrome" which assumes unwarranted power and inappropriate authority contrary to the democratic system. The Office of Education has assumed a position in this matter of master when in fact it is and must always remain a servant of the people and Congress.

Sincerely,

SIDNEY S. TATE,
Director, Financial Aid.

GRADUATE AND PROFESSIONAL FINANCIAL AID COUNCIL,
Princeton, N.J., March 4, 1975.

Commissioner TERENCE BELL,
Commissioner of Education, Department of Health, Education, and Welfare, Office of Education, Washington, D.C.

DEAR COMMISSIONER BELL: The Steering Committee of the Graduate and Professional Financial Aid Council has studied the Notice of Proposed Rule Making

[(45 CFR Part 144, Part 175 and Part 176)] and wishes to seek clarification and to comment on several issues.

The Steering Committee agrees it is desirable to achieve consistency in need analysis procedures as they relate to determining students' eligibility for federal financial assistance programs such as the Basic Educational Opportunity Grant (BEOG), Supplementary Educational Opportunity Grant (SEOG), National Direct Student Loan (NDSL), and College Work-Study (CWS) Programs. It was for precisely this reason that the Graduate and Professional Financial Aid Council has actively cooperated with USOE and other organizations in the postsecondary and higher education community in addressing this important policy issue through the forum of the National Task Force on Student Aid Problems.

Although not specifically mentioned in the referenced proposed regulations, it is our understanding, from the following text in the March 23, 1973 issue of the USOE publication *Keeping You Posted*, that the Graduate and Professional School Financial Aid Service is approved for use by institutions participating in the National Direct Student Loan Program and College Work-Study Programs:

"The development of Graduate and Professional School Financial Aid Service as a need analysis system for use by financial aid officers for graduate and professional school students is essentially the same as the College Scholarship Service system. The methodology and rationale is that used by CSS and is modified only slightly to accommodate the post-baccalaureate student population. The interest of the Office of Education in the use of GAPSFAS is limited to institutionally based programs—College Work-Study and National Direct Student Loan since Federal grant programs are restricted to assisting undergraduates.

"Since GAPSFAS produces results in need analysis which are comparable to those of existing services it is approved for use by eligible institutions which participate in the College Work-Study and National Direct Student Loan Programs. It must be used according to regulations and to terms of agreement between an institution and the Office of Education."

Our understanding of the proposed regulations is as follows:

1. At present, the following systems of need analysis are approved by USOE for determining students' eligibility for SEOG, CWSP, and NDSLP: Basic Opportunity Grant Program, American College Testing, Income Tax Method, College Scholarship Service (and GAPSFAS for NDSL and CWSP although it is not specifically named in the proposed regulations).

2. The regulations stipulate that the above-named systems and any others seeking approval by USOE would be required by June 30, 1975 to demonstrate to USOE that their system: a. produces a comprehensive set of figures and maintains internal consistency and validity; and b. produces figures for expected family contributions which are within ±$50 of benchmark figures for at least 75% of the sample cases which USOE will provide to each system. Moreover, the benchmark expected family contribution figures for the initial implementation of the review mechanism would be derived by reducing, by 20 percent, the 1974–75 "Expected Parents' Contributions from Adjusted Effective Income" published by the College Scholarship Service. Thereafter, the benchmark figures would be producing by updating, in accordance with the CPI, the figures produced by the previously approved system used by the greatest number of students.

3. The U.S. Commissioner will publish a list of approved systems on September 1 each year.

The proposed regulations, as we understand them, apply to BOG, ACT, CSS, GAPSFAS and other systems for use in determining students' eligibility for NDSL, SEOG, and CWSP. Since last year's CSS Parents' Contributions, deflated by 20 percent, are proposed as benchmarks during the first year's review and approval procedures, we assume that if BOG and income tax methods of determining family contributions for dependent students do not fall within the parameters of the benchmark analysis, the BOG and income tax systems would not be approved for use in determining students' eligibility for the two programs (NDSL and CWSP) in which graduate and professional students are eligible to participate. Is this a correct interpretation on our part? If this interpretation is incorrect, then is the cause for consistency in need assessment procedures advanced, and equity in determining students' eligibility for NDSL, CWSP, and SEOG awards achieved by regulations which would exclude the BOG and Income Tax Systems from the benchmark analysis during the first year?

The proposed regulations, if adopted, as written, would result in the following:

1. USOE will be expecting parents to contribute $300-$500 more this year toward educational costs than they otherwise would be expected to contribute.

If the regulations are adopted, institutional financial aid officers, and eventually members of Congress, will be confronted with explaining to parents that USOE believes they are able to make an even greater sacrifice toward educational costs this year than they otherwise would be expected to make—an explanation that will baffle low- and middle-income Americans alike who are confronted with one of the worst inflationary periods in our history.

2. The BOG Family Contribution Schedule would become the referent for next year's benchmark analysis—thereby implying that students' eligibility for NDSL, CWSP, and SEOG would be determined based on the BOG contribution schedule.

Looking to the future, it is likely that the number of candidates in the BOG program will exceed the numbers in other systems. According to the proposed regulations, the benchmark figures will be determined by using the contribution schedule of the agency with the largest number of students, updated for changes in the CPI. Perhaps an unintended consequence, then, of the proposed regulations is that as early as September 1, 1976, the BOG contribution schedule, which in our judgment is as much a function of the funding level for that program as an assessment of ability of parents to contribute to educational costs, will be the benchmark for other systems seeking approval. Is it the intention of USOE—directly or indirectly—to mandate the use of BOG contribution schedules for determining students' financial need and eligibility to participate in SEOG, NDSL, and CWSP?

3. Due to the timing of the regulation, institutions will be confronted with the undesirable task of withdrawing 1975–76 NDSL, CWSP, and/or SEOG award commitments to students made in good faith before the proposed regulations are finalized in April. To illustrate, consider the case of a student at a public institution which relies heavily on federal student aid funds to meet students' needs. The student is dependent and comes from a 2-child family where the parents earn $7,500 annually. At the present time, both GAPSFAS and CSS would expect no contribution from parents. The benchmark figure for this same family would be $390. If the schools' student expense budget is $2,200, the student's financial need would be $2,200 using present systems, but according to the proposed OE regulations, the student's financial need would be $1,810 ($2,200-$390). If the institution committed a $2,200 aid package to this student consisting of NDSL, CWSP, and SEOG awards prior to April 1, and the proposed regulations go into effect on that date, the institution would have to rescind $400 in federal awards to the student, an amount which could make the difference between whether this student goes to college or not.

In summary, the institution is confronted with the following hardships if the proposed regulations go into effect as scheduled:

a. Recalculation of Parents' Contribution for all students who applied prior to April 1.

b. Repackaging federal financial aid commitments made prior to April 1.

c. Rationalizing to parents why USOE believes they should be able to contribute more than they would otherwise be expected to contribute.

d. Renotifying students of their reduced federal awards.

With respect to the proposed regulations for the NDSL and CWSP programs, we note that for independent students, any system to be approved must produce expected family contribution figures which "(a) increase in reasonably smooth increments as the students' financial strength, measured in real terms, increases; and (b) are equal for families (students) of equal measured financial strength." We wish to seek clarification with respect to definitions of the words in the phrases: 1. Reasonably smooth increments; 2. measured in real terms.

It would be helpful to us to know not only the definitions of the words in these phrases, but also the criteria which will be used to assess whether or not increments are reasonable and smooth and whether a system is measuring a student's need in "real" terms.

We would like to request that the United States Office of Education defer implementing the proposed regalations as they might apply to awards to students for the 1975–76 academic year. In addition, we wish to suggest that promulgation of the proposed regulations which might apply to determining NDSL, SEOG, and CWSP awards for the 1976–77 academic year be deferred until USOE has had an opportunity to study the recommendations of the National Task Force on Student Aid Problems, which consists of representatives of USOE and of the higher education community. In particular, we would like to suggest that, instead of using last year's CSS parents' contribution rates as benchmarks during the first year, consideration be given to using as benchmarks the procedures and contributions recommended by the Need Analysis Committee of the National Task Force.

We look forward to your reply. In addition, members of the Steering Committee would like to arrange to meet, at your earliest convenience, with you or Dr. Phillips in Washington, D.C. to discuss the proposed regulations in more detail.

Respectfully yours,

HAROLD R. METCALF.

STATE UNIVERSITY COLLEGE,
Fredonia, N.Y., March 4, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, Washington, D.C.

DEAR DR. PHILLIPS: This letter is in response to the proposed amendments to the regulations governing the National Direct Student Loan, the College Work-Study and the Supplemental Educational Opportunity Grant programs, which were published in the February 19, 1975 issue of the *Federal Register*.

The regulations would revise the present College Scholarship Service (CSS) tables and would significantly increase the amounts parents are expected to pay towards the college costs of their children. The College Scholarship Service (CSS) revised their tables for the 1975-76 year to include the social security tax and the inflation factor, thus greatly reducing the amounts parents were expected to contribute. The previous CSS formulas were unrealistic by expecting parents to contribute too much. The affect of the revised CSS tables would be to create a greater financial need for our students; however, they provide for a more reasonable contribution from parents. The proposed federal amendments would seek to rescind part of the equitable treatment given to parents by the CSS revised tables. The amendments would reduce the 1974-75 tables by 20 percent. We feel the new 1975-76 CSS tables were developed upon a sound basis and should be allowed to stand.

Since September we have been receiving Parent's Confidential Statements (PCS) processed by the 1975-76 CSS revised formulas. At this time we have received PCS's from the bulk of our incoming students, and we are ready to process them. These proposed regulations restrain us from processing these applications and will also delay the processing of upperclass applications. This delay, in the middle of the year, will force the Financial Aids Office to process financial aid applications about a month and a half later than usual, and will delay financial aid notices to students.

The 1975-76 CSS tables would produce a greater total student need with no appreciable increase in federal funds. The solution would be to provide at least a sizeable increase in federal student aid funds. Even without a sizeable increase in federal funds we believe the 1975-76 CSS tables should stand. It is much better to show what we honestly and realistically believe a student's need is, and then try to do something about it, rather than present an unfair picture of financial need. If the federal government is concerned about the redistribution of student aid funds by campuses, we suggest that guidelines governing student aid awards be issued for use with the 1975-76 CSS tables. Although, because of the individual differences among colleges, a better alternative would be to allow each college to distribute federal aid awards in a manner which would provide the most assistanc for their students who have a financial need.

We urge that action be taken as soon as possible on whatever decision is reached because each day of delay puts that much more stress on the Financial Aid Offices and on the students.

Thank you for the opportunity to make our views known.

Yours truly,

FRANK A. DINOTO,
Student Financial Aids Officer.
PAUL T. SCHONHART,
Financial Aids Advisor.
J. CHRISTOPHER CARLIN,
Coordinator, New Student Aid.

LOCK HAVEN STATE COLLEGE,
Lock Haven, Pa., March 4, 1975.

HON. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

DEAR MR. O'HARA: On February 19 last the U.S. Office of Education published proposed rules relative to the approval of need analysis systems for the determination of student eligibility for the campus-based financial aid programs. The affected programs are Supplemental Educational Opportunity Grants, College Work-Study and National Direct Student Loans.

I respectfully request that you review the proposed rules and consider whether they are consistent with the intent of Congress in creating these programs. The rules will slow down the delivery of financial aid notifications to students in the first year of forward funding and an April allocation date. This will cloud the educational plans of many students.

If asked to do so, I would be happy to provide testimony on the effect of the proposed rules. This I believe to be my responsibility as I believe is the notification of students in time for them to make wise plans about their future.

Very sincerely,

BRYAN VAN DEUN,
Director, Student Financial Aid.

CALIFORNIA INSTITUTE OF TECHNOLOGY,
Pasadena, Calif., March 5, 1975.

DR. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance,
U.S. Office of Education,
Washington, D.C.

DEAR DR. PHILLIPS: I am writing to comment on the proposed rules concerning the approval of need analysis systems by the Office of Education. I am strongly opposed to the action you are proposing and I offer these comments in two separate ways—first, in hopes that the Office of Education will withdraw completely these proposed rules and let the status quo remain; and second, if the proposed regulations are not withdrawn to urge modification of them in several ways.

I believe that the proposed rules constitute a real danger to the private sector in American education with no concomitant benefits to the students involved. I believe the proposed rules create a new bureaucratic structure in student financial aid that is unnecessary and counterproductive. I base these two statements on the fact that, if the rules as published are adopted, no school in the United States will be able to use their own funds in their own ways to support needy students if those same students receive any dollars from Federal sources. I believe this is an intolerable invasion of the rights of private institutions to manage their own affairs to the best advantage of their students. It is not possible for one need analysis system to be appropriate in every situation. All schools, but particularly private colleges, with their greater flexibility and frequently greater ability to respond to student needs, should be allowed the freedom to choose the most appropriate need analysis system. This will differ from time to time and from place to place; to replace this kind of flexibility with a single mandated Federal program would subject us all to a procrustean bed. I cannot believe that this would help students in general and I am sure that it would cause great inequities among many of them.

Should you feel that the freedom now enjoyed by schools in America to choose a need analysis system and use it for dispersal of both Federal dollars and their own money would result in the flow of Federal money to students for whom it was not intended, there is an alternative to your proposed rule concerning need analysis systems. I will agree that this could be a real danger and that the Office of Education has a responsibility to insure that Federal aid is spent among the neediest students. Your attempt to standardize need analysis systems, however, is unnecessary and unjustified, because the same result can be obtained at much less expense by simply specifying the groups of students who would be eligible for Federal funds. This could be done by way of total parental income or total student resources or any similar way. It does not require the setting up of complicated bureaucratic procedures to evaluate need analysis systems and the imposition of rules and regulations which will tend to standardize and consequently limit the effectiveness of student financial aid programs.

If, regardless of these very serious considerations, the Office of Education insists on establishing a Federal need analysis standard, then I feel that certain specific changes should be made in the rules you have proposed. First, none of these rules should be made applicable to the 75–76 school year. We have made awards to incoming students already; we must continue this during the next month and a half so that students will be able to choose the school they will attend next year. It is unnecessary and wasteful for the Office of Education to create on such extreme short notice a requirement that we do our work two or even three times over, by repackaging and by changing need analysis figures at this late date. No regulation of any sort should be imposed for the next school year.

Second, the notice of proposed rule-making indicates that for the coming school year we are allowed to use two levels of parental contribution but that this is to be regarded as only an interim measure. Should the Federal Government feel it must impose its own standards on schools across the entire country, they should recognize that this is reasonable only to the extent that Federal dollars are involved. There should be no rule abridging the right of an institution to use its own or other non-Federal money to finance student aid in any reasonable fashion. Thus, although I feel that the existence of two levels of parental contribution would be confusing and detrimental to our entire operation, I feel there must be continued opportunity for schools to act independently of the Federal rules with their own money. Such options must be built into any rules that are finally approved; we can live with an OE-approved parental contribution for the award of OE funds and our own parental contribution for the award of our own funds, even though it is neither logical nor sensible. We cannot live with a Federally mandated single figure for all students at all times in all places.

As I am sure you have been told by the College Scholarship Service, the Federal standard of need analysis proposed has higher contributions expected from the very neediest families than the contributions that would be expected under next year's CSS tables. The CSS tables for next year may be subject to some criticism, but that criticism, openly voiced and responded to, will lead us to a consensus that will be much fairer overall to the students involved than anything proposed by the Office of Education. There is no need for hasty intemperate action and I urge you not to take any such at this time. For the good of the students involved, I urge that you withdraw the proposed rules completely or failing that, at least withdraw them for the coming year and include in any rules for future years the flexibility for institutions to use other than Federal dollars in any generally accepted fashion.

Sincerely yours.

WILLIAM P. SCHAEFER,
Director of Financial Aid.

EAST TENNESSEE STATE UNIVERSITY,
Johnson City, Tenn., March 4, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, DHEW, Washington D.C.

DEAR SIR: I am writing regarding the published proposed rules relative to the needs analysis systems for the purposes of determining student's eligibility for the campus based financial aid programs (Supplemental Educational Opportunity Grants, College Work-Study, and National Direct Student Loans).

I am of the opinion that it is worthwhile to implement an annual review and approval of need analysis systems. In fact, I would support the creation of a Federal needs analysis system by which the Financial Aid Office could use the Eligibility Index from the BEOG Student Eligibility Report and insert it into a table provided by DHEW to obtain the expected Family contribution. This would lessen the number of complicated forms which families must complete in order to be evaluated for Federal financial aid programs. The main problem, at this time, in initiating the review and approval procedure is the delay such would cause in the institutions' notification to students concerning their awards for 1975–76.

The proposal dealing with "overawarding" by using a second financial need analysis is very disturbing and most unsatisfactory, in my opinion. This proposal would establish a second definition of "financial need." The traditional definition has been stated as the difference between the cost of education and that amount the family can reasonably be expected to contribute toward that cost. The second definition for those programs, other than Federally supported, would be conflicting in respect to the traditional definition in that it would be used to justify making awards in excess of the established financial need. This would lead to much confusion and conflicting terminology in an area that is already saturated with such. The area of financial aid is undoubtedly the most discouraging area of education in that the regulations seem to change constantly, the required reports are never identical, and the institutions are never notified of the amounts of funds available to make awards to students until much too late each year.

It will be interesting (possibly horrifying) to evaluate, in a few years, the effect of the current trend of change from the concept of requiring students to obligate themselves, either through work or loan for the majority of their eligibility for financial aid, to the concept of students are "entitled to be given" the majority of eligibility. Are we saying to our young people, "you don't have to work or borrow—Uncle Sam will give it to you"? I wonder what the attitude of these students will be when they leave college. Will they want to work for a living or will they want to be given a living?

I apoligize for getting on my "soap box." I only intended to say that the "overaward" concept appears to be very unsatisfactory and the timing is all wrong to initiate the "review and approval" provision.

I am sure that you have given all these points your careful consideration and will make the best decision possible.

Thank you for your efforts in assisting the financial aid community.

Sincerely,

J. P. SHANNON,
Assistant Director.

COLLEGE OF SOUTHERN IDAHO,
Twin Falls, Idaho, March 5, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building, Washington, D.C.

SIR: On February 19, the U.S. Office of Education published proposed rules relative to the approval of need analysis systems for purposes of determining the eligibility of individual students for the federal student assistance programs.

As a "working" student financial aid officer, it is inconceivable that such a proposal would be made at this time of the year. Such a proposal would mean that I, as a student financial aid officer, would not be able to begin processing financial aid applications until the first of May, 1975. By the time I go through the process of evaluating it would be the first of June before award letters went out to the students. This is an extremely late date for students to make plans for the upcoming school year.

My students start applying for financial assistance early in January and I try to respond with a tentative need letter no later than the end of March. In fact I have already sent out tentative need letters to students based on ACT Family Financial Statements for the 1975–76 school year. I'm sure many other colleges have done the same. Imagine, if you can, the confusion this will produce if I have to explain to these students that the ACT Family Financial Statement may not be valid and that I will have to re-evaluate their applications.

I can only recommend that USOE take no action this year in regards to the revision and give us more lead time for consideration of such a proposal. At this time, I can assure you that the limited funds will go to the neediest student first and therefore the current systems of need analysis should prove satisfactory for the 1975–76 school year.

Sincerely,

DAVID PERKINS,
Director of Student Personnel Services.

WHEELING COLLEGE,
Wheeling, W. Va., March 14, 1975.

Hon. JAMES G. O'HARA,
Rayburn House Office Building,
Washington, D.C.

DEAR HONORABLE O'HARA: In a meeting held on March 4, 1975, the Executive Committee of the West Virginia Association of Student Financial Aid Administrators expressed its concern over the recent U.S. Office of Education's proposal to regulate the distribution of federal student aid funds during the 1975-76 academic year. These regulations were published in the FEDERAL REGISTER on February 19.

The W. Va. Association of Student Financial Aid Administrators opposes the Commissioner's proposed regulations on several grounds. Our most critical objection is in their timing. One of the most important responsibilities that a college or university financial aid office has is to notify students of their financial awards at the earliest possible date, so that these students and their families are assured of equal access to higher education, without regard to the families' limited financial means.

Most colleges and universities in West Virginia—both public and private—had either already begun or were about to begin to make financial awards to students at the time the Commissioner published the proposed regulations. Their publication has had the effect, at worst, of bringing this phase of the awards cycle to a virtual halt; at best, it has caused a great deal of confusion, both on the part of institutions and of students. All of this has come at a time when the Office of Education and the financial aid community have been cooperating more closely than ever in advancing the notification dates of Basic Grants awards and institutional campus-based allocations.

A second area of concern centers on the regulation's terminology of a "federal standard of *ability* to pay." While we realize that the gap between student financial need and the available resources to meet this need has been growing ever wider we seriously question the USOE'S attempt to "mask" this real need by overestimating a family's ability to contribute to educational costs. As professional aid administrators, we feel that it is far more reasonable to *recognize* a student's real need, even if we lack the resouces necessary to meet this need, than it is to try to convince a needy family that they are not really needy. The problem lies, not in the system of needs analysis, but rather in the fact that all of our financial resources—federal, state, and institutional—are not sufficient to meet the growing financial need of students.

Finally, while we would not argue that the national needs analysis systems which most institutions in West Virginia now use are far from perfect, we do believe that they are based on sound, objective, empirical data, and that they present a *reasonable* expectation of a family's ability to contribute to the cost of post-secondary education. We are *not* confident that the USOE's proposed needs analysis system is any more reliable or reasonable than those now in use.

We therefore urge the Congress to disallow this proposed methodology and regulations.

Sincerely,

MARY JO MCCANN,
President, West Virginia Association of Student Financial Aid Administrators.

SEATTLE PACIFIC COLLEGE,
Seattle, Wash., March 24, 1975.

Hon. JAMES G. O'HARA,
Chairman, Subcommittee on Education, Cannon House Office Building,
Washington, D.C.

DEAR MR. O'HARA: With regard to the proposed new regulations governing the distribution of Federal funds for student financial aid for the academic year 1975-76, Seattle Pacific College endorses fully the stance taken by NASFAA.

We have reviewed, at length, the proposed regulations as printed in the February 19 Federal Register and oppose them. Although the bench mark expected family contribution figures for the initial implementation of the review mechanism (reduction of 1974-75 parental contribution by 20% on the CSS scale) is more realistic than that proposed by CSS for 1975–76, we feel that there are more disadvantages than advantages to the proposed review mechanism. To enumerate:

1. The Office of Education's rationale for proposing a substitute review mechanism has been cited as a concern that the 1975–76 CSS scales would redirect funds from the low to the middle income level. NASFAA has remained constant in its commitment to the most needy students seeking assistance and has reaffirmed that commitment repeatedly to the financial aid community.

2. The proposed regulations would result in a highly disruptive impact were such a rule to be imposed at this late date in the processing year.

3. The multiplicity of scales allowed on an interim basis by the proposed OE regulations would result in operational inequity and confusion within the financial aid constituency.

4. The Office of Education has proposed a Federal need analysis standard with less than adequate planning and without sufficient input from the educational community.

5. The proposed regulations call for immediate implementation of the new review mechanism so that it would apply to student aid awards to be used by students during the 1975–76 academic year. Current aid processing operations are suspended until Congress acts. Should the proposed review mechanism be published as a final regulation announcement of student aid, awards would of necessity be delayed until late April or early May, allowing OE time to determine acceptable need assessment organizations and scales.

6. The political ramifications of any attempted implementation of a Federal need analysis standard may be used as justification for reduction in student aid resources made available by state agencies and institutions because of the fiscal constraints which they face.

7. The Office of Education should seek to achieve its objective by providing regulations which will insure that aid awards go to the most needy students on the basis of family ability to contribute. The establishment of a need analysis standard should remain with independent service organizations.

In conclusion, we firmly believe that a Federal response to the national problem of need analysis is premature. The National Task Force on Student Financial Aid Problems is currently studying need assessment devices and has proved itself capable of working well with the financial aid constituency, the Office of Education, and participating need assessment organizations. Immediate and decisive action by Congress in support of the proposed OE regulations would mitigage against the work and research of the Task Force. We feel strongly that the National Task Force should be reviewed for one more year and charged with the responsibility for developing a need analysis system responsive to and satisfactory to the financial aid constituency, the Office of Education, and the participating need assessment organizations.

Thank you for the privilege of comment and the subsequent attention which will be given to the concerns of your financial aid constituency.

Cordially,

SHIRLEY A. ORT,
Associate Dean of Students.

MICHIGAN STATE UNIVERSITY,
East Lansing, Mich., March 19, 1975.

DEAR DR. PHILLIPS: The Federal Register for February 19, 1974, contained proposed regulations governing the distribution of federal funds for student financial aid for the academic year 1975–76. I hereby submit the following comments regarding the proposed regulations.

1. It is requested that the proposed regulations not be implemented at this time. Most universities and colleges have already started processing financial aid awards of new students for the coming year. If these regulations are implemented the processing of awards will be delayed until April or later. It is a real disadvantage for the student to be notified so late in the year.

2. The economic situation in the country and particularly in Michigan leads us to believe that the contribution figures suggested by the College Scholarship Service are more indicative of the true ability of parents to assist with the college costs of their children than are those proposed under the federal guidelines. The current unemployment figures for the State of Michigan is 15.8% and for Detroit 21%.

3. Since the Keppel Task Force on Student Aid which has been working toward the bringing together of the national needs analysis systems (ACT & CSS), will be making their report soon, it would seem appropriate to delay the implementation of the proposed regulations until after they make their report later this spring.

4. Although the Commissioner of Education has the right to review and approve the needs analysis system that can be used to dispense federal student aid, it is not clear as to what the role of the federal government should be in setting standards for need assessment. More time is needed to give consideration to this important question.

Therefore, we strongly urge that the proposed regulations not be implemented at this time.

Sincerely,

CLIFTON R. WHARTON, Jr.,
President.

THE UNIVERSITY OF ARIZONA,
Tucson, Ariz., March 19, 1975.

Dr. JOHN PHILLIPS,
Associate Commissioner, Office of Student Assistance, Office of Education, Washington, D.C.

DEAR JOHN: We are quite alarmed over the possibilities of the institution of federal needs analysis system and the questions raised regarding this year's ACT and CSS evaluations.

While I realize that this makes a much greater number of students eligible for aid on the basis of need, we feel that due to the rapidly changing economic situation, that the new needs analysis are quite valid.

In our office, however, we have been forced, due to the obvious problems of having sufficient funds to meet this additional need, to make what we feel to be a realistic adjustment downward in the eligibility figures. I would appreciate any recent information on decisions at your level as to the ACT system.

I plan to be in Washington on April 28th, and would like very much to see you while there. I will have my secretary get in touch with your office at least two weeks ahead of time so that possibly we can arrange a time to get together.

Your friend,

J. J. HUMPHREY,
Director.

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN,
March 19, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, Department of Health, Education, and Welfare, Washington, D.C.

DEAR DR. PHILLIPS: We wish to add our voice to what we feel is a growing list of our colleagues who are dissatisfied with the actions that are intended under the rule proposal having to do with need analysis which was approved by Secretary Weinberger on February 13, 1975 and subsequently published in the Federal Register on February 19, 1975.

We do not support the Notice of Proposed Rule Making for the very fundamental reason that if executed, the new rule will make a complete charade out of what has long been accepted as an objective means of calculating the capacity of a family to contribute to the cost of higher education for the members of that family. The rule would substitute for this objective process, not something better, but rather, a device for rationing federal dollars.

It may be, and probably is necessary to ration federal dollars but it is patently unjustifiable to do so under the guise of performing the objective process called need analysis. A rationing device ought to be labeled what it is and not used to confuse the real issues, i.e., the inadequate quantity of money necessary to insure that access to higher education is not denied to anyone who can benefit from such education.

Another of our major, if not our chief concern, is the timing for change which the rule establishes. It has thrown awarding activities for the 1975–76 school year into a state of suspension. Student Financial Aids Offices across the country are presently pondering whether to go ahead and make awards, and if so, on what basis. Some offices are being faced with having to withdraw awards made earlier. Other schools with rapidly improving data systems had promised earlier award notification for 1975–76 and are faced with retraction of earlier estimates. The concern thus spreads beyond Financial Aid Offices on to aid applicants, parents, admissions offices, business offices, and others concerned with the delivery of student financial aid. Institutions already severely strapped financially will have even a more difficult and expensive experience in delivering aid as a result of the generation of dual paperwork.

Beyond the immediate concern of timing, we are concerned about the philosophical reasons for change and the future implications which we perceive as resulting. Central to the issue in question is the fact that *there is no evidence to refute the position* that the original 1975–76 College Scholarship Service and American College Testing need analysis services would have provided the greatest share of federal dollars for lower income families.

We are fearful that the unilateral actions proposed in the rule by the U.S. Office of Education will immediately and adversely affect the cooperation that has existed between education, government, and the need analysis service functions of ACT and CSS. These agencies, we believe, have faithfully served and have kept themselves far better attuned to the needs of parents, students, educational institutions, and governmental programs of student financial aid than the Office of Education is prepared to admit. The utilization of these services has progressed over the years as a result of their ability to measure in a uniform way the individual needs of very diverse population and their responsiveness and dedication in the purpose of serving the needs of their constituencies. Their auxiliary services to all concerned, beyond mere need analysis, has been of inestimable value.

To change the need formulas as suggested in the proposed rule will only serve to cloak the real need for more student aid dollars. This result would benefit no one in that other agencies that award aid would be insulated from the "real" need and the very important alternate sources of funding would be misled into retreating or withdrawing altogether. Further, it appears that the future "benchmark" system for determining need leads one to the unavoidable conclusion that the Office of Education intends to promote the Basic Grants need analysis as a "*safe source*" for 1976–77. Part I, Notice of Proposed Rule Making, does state the benchmark will be established "* * * by the previously approved system used by the greatest number of students" during the preceding year. This feature would appear to stack the deck in favor of federal control.

We, too, speak for withdrawal of the proposed rule so that award decisions can be made *now*. There is a National Task Force Need Analysis Report due in May which has had significant input from and involvement by the financial aid community. Surely it would not be improper to suggest that this report be reviewed by the U.S. Office of Education prior to any decision to amend the existing procedure for determining need.

As a final objection, it is suggested that the rule may very well be made obsolete when Congress rewrites student aid legislation due to expire this summer.

We support fully the responses which have been forwarded by NASFAA, MASFAA, and ILASFAA.

Sincerely,

A. M. ENGELS,
Associate Director, Student Financial Aid.

EASTERN WASHINGTON STATE COLLEGE,
Cheney, Wash., March 18, 1975.

DR. JOHN D. PHILLIPS
Associate Commissioner for Student Assistance
U.S. Office of Education Washington, D.C.

DEAR DR. PHILLIPS: I am writing to express my concern over the proposed rules relative to the approval of needs analysis systems for purposes of determining students eligibility for financial aid.

The proposed changes are making it necessary for Eastern to delay processing applications for aid. Students are already beginning to flood our office with requests for tentative awards so that they may make their plans for the upcoming year.

I also strongly feel that the CSS and ACT tables of parental ability to pay are much more realistic in light of the current economic situation than the proposed Federal standards. I believe that the Federal figures are based on benchmarks which always have been an unrealistic expectation of parental ability to pay.

Updating an unrealistic benchmark in accordance with the changes in the consumer price index still renders the Federal standards unrealistic! I think that it is time to take a good hard look at those benchmark figures.

The "over award provision" in the proposed legislation requires financial aid officers to determine two sets of parental contributions and two sets of need for each financial aid applicant. Eastern simply does not have the staff to perform this horrendous task. This is also a very confusing concept for students to understand that they have two different "needs."

There are other alternatives to distributing limited resources than to create a false, unrealistic scale of family ability to pay. I firmly believe that the financial aid community is and always will be dedicated to the theory that the neediest students receive priority for Federal funds.

I urge you to give careful consideration to alternatives to the proposed Federal regulations.

Sincerely,

Mrs. Susan Shackette,
Director of Financial Aid.

Boston College,
Chestnut Hill, Mass., Mar. 14, 1975.

Dr. John D. Phillips,
Associate Commissioner for Student Assistance, U.S. Office of Education, DHEW, Washington, D.C.

Dear Dr. Phillips: I write to express my concern about the proposal which has been made by the Office of Education not to permit the use of the Parents' Contribution tables, which have been developed by the College Scholarship Service or the American College Testing Service, in determining awards for the programs of Federal aid for students for 1975–76. Since there was no advance notice and no reason to expect that the college Scholarship Service tables would not be acceptable based on past experience, this decision is the source of considerable concern at Boston College.

As you are aware, the admissions process in most institutions for 1975–76 is in its final phases. A most important process in this work is the awarding of financial aid. This work by our admissions and financial aid staffs of reviewing every individual application is well underway. It seems unreasonable to expect that the staff must now redo the work which has been done to date.

While I do not consider the tables which have been developed by CSS to be sacrosanct, I know that they are the result of serious research by competent economists and statisticians. I am concerned by the fact that no data or research has been provided by the Office of Education for the tables which you have developed. It seems reasonable to expect that your research should be available for public scrutiny in the same way as is the data which is provided by CSS and ACT.

While the amount of aid which families can contribute for the education of students will be considerably reduced under the new CSS formula, there is no expectation that either Boston College or the Federal Government will be able to make up the differences which the figures on student need will show. However, it is our feeling that students and parents both appreciate and are able to deal with reality. I have no doubt that the figures on Parents' Contributions in the past were somewhat unrealistic, and I feel that all of us will profit from a more realistic assessment of student need.

I would appreciate your deferring a decision to implement the use of the Office of Education tables until the 1976–77 academic year to alleviate the duplication of work which would be required at this crucial time of the year for our staff and future students. In addition, I would hope that the research done for the Office of Education tables would become available so that there would be an opportunity for evaluation and commentary on the CSS/ACT and the Office of Education tables before your office takes a final position on this matter.

Sincerely,

J. Donald Monan S.J.,
President.

Upsala College,
East Orange, N.J., March 14, 1975.

Hon. James G. O'Hara,
Chairman, Subcommittee on Postsecondary Education, House of Representatives, U.S. Capitol, Washington, D.C.

My Dear Mr. O'Hara: May I express on behalf of Upsala College our concern about the proposals on student financial aid recently published in the Federal

Register. Our most immediate problem is the delay which they impose upon us in making final awards to students who intend to enroll in September, 1975.

We are, however, disturbed also by several other matters. One is the proposed reduction of options available to private institutions in determining the distribution of financial aid. Another is the extent to which Federal control of the financial aid process is increased. It seems to us, moreover, that the published proposals are based upon a confusion between the analysis of need and the distribution of available money. Lastly, we cannot help but feel that imposition by the Federal government of standards for the determination of need is not only unnecessary, in view of the excellent performance in the past of private organizations like the College Scholarship Service, but also potentially destructive of our responsiveness to situations which a remote central central authority may not be in a position to properly evaluate.

Sincerely,

CARL FJELLMAN.

AZUSA PACIFIC COLLEGE,
Azusa, Calif.

Representative JAMES G. O'HARA,
Washington, D.C.

We feel that the Office of Education's proposed Federal need analyzing standards would be a tragic mistake. The history of the two major services, ACT and CSS, have proven to be sufficient. The upgraded tables are in line with the economy and would be more functional than Federal tables would be. The Government needs to be sensitive to the mood of its people. Certainly the prevailing feeling at large is not to have more of a burden placed upon the populace. The long history of the two major existing systems have proven both their capability of indicating a financial need on a fair basis and the ability to sense the mood of the people.

CORNELIUS P. HAGGARD,
President.

UNIVERSITY OF WISCONSIN,
Kenosha, Wis., March 17, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, Washington, D.C.

DEAR DR. PHILLIPS: We find that we canont in good conscience support the position of USOE regarding proposed adjustments to the current need analysis systems used to distribute federal student aid funds. We can appreciate the concern of USOE over the increase in total need that the changes to the systems have generated but cannot agree with their suggested resolution to this problem.

Many of us in the Financial Aids Community have felt for some time that the size of the contribution expected from parents based on their income and assets was not realistic. We believe the new contribution curves make an attempt to recognize the "real" ability of parents to pay for their education. It is true that present resources will fall short of meeting the total "need" that would result but it makes more sense to admit this to parents, students, and others than to try to convince them that they should supply more dollars when it's impossible given present economic conditions.

The additional resources to help meet "real need" is a responsibility to be shared by all levels of government and the institutions themselves. However, these needs must be realistically established if we are to maximize educational opportunity.

We support the recommendation of the National Association of Student Financial Aid Administrators (NASFAA) to let the professional aid officers on each campus exercise sound judgment in meeting the needs of students given the new CSS family expectation tables and existing resources for 1975–76. We do not believe that a manipulation of "student needs" is an appropriate method either for future efforts to secure additional funds or to solve the problem of fiscal responsibility.

We also support the activities and goals of the Keppel Task Force in the development of a common need analysis system, delivery system and student data application form for 1976–77. The accomplishment of these projects will solve the dilemma we now face. To make further changes this year will only complicate and delay a current situation which is beyond the understanding of students and parents and nearly impossible to administer.

Thank you for the opportunity to express our views.

Sincerely,

Susan A. Johnson,
Assistant Director, Financial Aids.
Jan K. Ocker,
Executive Director, Student Services.

The University of Connecticut,
Storrs, Conn., March 3, 1975.

Dr. John D. Phillips,
Associate Commissioner for Student Assistance, Bureau of Postsecondary Education, U.S. Office of Education, Washington, D.C.

Dear Dr. Phillips: Reference Proposed Rules of the Office of Education dated February 19, 1975, the Connecticut Association of Professional Financial Aid Administrators objects to the Office of Education's "shotgun" approach to new regulations which will affect current need analysis which is already in progress. Schools are receiving the February 19th proposals after the date for hearings which makes a farce of such procedures. Since Federal regulations are easy to make and almost impossible to change, it is urgently requested that the regulations be *postponed* until the following year.

It should be noted that there is no urgency for adoption of the new regulations immediately because the amount of Federal funds available to the schools should not permit awards of Federal money beyond the 1974-75 levels. Any school that is able to expend Federal base funds up to the 75-76 CSS/ACT level was over funded in comparison to other schools. Could not a directive be issued by the Commissioner to all schools cautioning them against this possibility and urging the schools to use the proposed rules for the distribution of the Federal funds? The Federal reports would clearly identify those schools who were over funded and who were able to exceed the new rules.

Please be assured that we are aware of the factors which led to the proposed rules. This association subscribes to more uniform treatment of need analysis and definitions of need. The inequities in the distribution of Federal aid between the schools of Connecticut and elsewhere has long been apparent and is unfair to students and parents.

Sincerely,

J. W. Rapp,
Director of Financial Aid, President, CAPFAA.

Kent State University,
Kent, Ohio, March 18, 1975.

Dr. John D. Phillips,
Associate Commissioner for Student Assistance, U.S. Office of Education, Washington, D.C.

Dear Dr. Phillips: I am writing to express my concern over the contents of the proposed new rules published in the Federal Register, Volume 40, Number 34, dated Wednesday, February 19, 1975. If promulgated in the form of regulations, the previously accepted College Scholarship Service need analysis method in use at this institution will be replaced with a federally established standard of parental contribution, against which *any* need analysis method must be favorably compared before it can be used in awarding federal funds under the institutionally based programs. (Supplemental Educational Opportunity Grant, College Work Study Program and the National Direct Student Loan).

I am opposed to the proposed regulations based on the following reasons: (1) the timeliness of the proposed regulations; this institution attempts to begin its awarding cycle early in the calendar year and must now recalculate the need factor in accordance with federal standards on approximately 3500-4000 Parents' Confidential Statements after the April 5, 1975 effective date, thereby delaying the notification of awards to students who must make early educational decisions. This generally creates a chaotic situation.

Kent State University is committed to the premise of awarding financial aid to the neediest students first. It appears that the Commissioner of Education, by using a 20% across the board reduction in the 1974–75 CSS tables based upon the Consumer Price Index as federal standards for parental contribution, has developed a proportionately greater demonstrated need for higher income students than for the lower income students.

Although the official notification of funding allocations for the federal programs have not been received at this institution, a calculation of HEW Regional panel review recommendations for Kent State University, multiplied by the appropriate program percentage using the state formula for Ohio, indicates that anticipated levels of funding in the three federal programs will certainly not be sufficient to meet the need factors previously reported.

May I strongly urge you to reassess the impact of these proposed regulations on the financial aid community in general and more specifically at this institution, and seek a suitable alternative that would prevent the delays, the extra work and the tremendous confusion which would result from a "federal standard of ability to pay".

Sincerely,

GLENN A. OLDS,
President.

THE PENNSYLVANIA STATE UNIVERSITY,
University Park, Pa., March 19, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, Department of Health, and Welfare, Washington, D.C.

DEAR DR. PHILLIPS: I am writing to advise you of the viewpoint of The Pennsylvania State University Student Aid Office. The twelve student aid administrators in this office support the position advanced by NASFAA in regard to need assessment for the 1975–76 academic year. The position outlined by Mr. Edson W. Sample in his letters to Dr. Terrel H. Bell, January 24, 1975, and the Honorable James O'Hara, February 20, 1975, ample documents this viewpoint.

While I am not questioning the Commissioner's right to review student need assessment guidelines, I do question the impact of the proposed changes on the timely awarding of financial aid for FY 1976.

Although the immediate concern is the timing of the proposed changes, the major concern is the reassessment of needs proposed by the Commissioner of Education and the impact which it will have on students, their families, and the higher education community. I feel that this issue warrants extensive study rather than precipitous action.

I appreciate the opportunity to make the Commissioner of Education aware of our concerns and offer our continued professional commitment to assist students.

Sincerely,

JOHN F. BRUGEL,
Director, Office of Student Aid.

PENN VALLEY COMMUNITY COLLEGE,
Kansas City, March 14, 1975.

Dr. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, Washington, D.C.

DEAR DR. PHILLIPS: I am writing to express my concern about recently proposed regulations issued by the Office of Education regarding determination of parents' contributions for student financial aid recipients. These regulations appeared in the *Federal Register* of February 19, 1975, followed by comments by Commissioner Bell.

It adopted, this proposal will require that the Parents' Contribution Tables utilized by the College Scholarship Service (CSS) for the 1974–1975 school year be reduced across the board by 20 percent and applied to the coming 1975–1976 academic year. The rationale for this proposal is that the Parents' Contribution Tables published by the CSS for 1975–76 are too low, allowing many middle-income students to receive more funds than they actually need. As a result, fewer funds would be available for low-income students.

The reason for reducing the Parents' Contribution Tables is to offset effects of inflation. Steadily increasing costs of living leave parents with less money available to assist their children with post-secondary education, and some reduction of expected parents' contribution is mandatory.

I agree with the Office of Education's evaluation of tables; although some reduction is necessary, the expected parents' contributions have been excessively reduced by the Need Analysis Services. Because I am a Director of Financial Aid in an inner-city community college, I am keenly aware of the vast array of problems and extreme need presented by the low-income students who are adversely affected by the modifications.

I believe, however, that the proposed solution of adjusting the Parents' Contribution Tables is grossly inequitable. For example, a low-income student with a parents' contribution of $100 would have his parents' contribution reduced by $20; conversely, an upper-middle-income student with a parents' contribution of $2,000 would have his parents' contribution reduced by $400.

The proposed regulations by the Office of Education, therefore, do not equitably alleviate the financial burdens of parents of low-income students. If, as in the previous example, an upper-middle-income family must reduce its parents' contribution by $400 because of inflation, it would seem that the lower-income family must also reduce its contribution by at least an equal amount and probably by much more. In addition, under the new plan more funds will go to upper-income students, and less will be available to lower-income students, exacerbating the identical problem OE hopes to solve.

A more equitable solution to the problem, it appears to me, is to reduce the 1974–75 CSS tables across the board by an equal amount, for instance, $200. The equal amount reduction is not only more equitable, but it also would be the easier plan to implement administratively. Although it is stating, essentially, that inflation affects all income groups equally, it is nevertheless more equitable than the currently proposed system which implies that inflation more severely affects upper-income groups.

I, therefore, respectfully request that the Office of Education reconsider its proposed regulations. Financial Aid Officers must be permitted to provide the limited federal funds available to them to the students with the greatest need.

Sincerely,

GREGORY L. BALL,
Director of Financial Aid.

ST. MARY'S UNIVERSITY,
San Antonio, Tex., March 14, 1975.

DR. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, U.S. Office of Education, Washington, D.C.

DEAR DR. PHILLIPS: I am disheartened to learn that the United States Office of Education is attempting at this late point in time to modify the need analysis systems which are currently being used to prepare financial aid packages for academic year 1975–76. The multiplicity of pressures imposed upon a financial aid office, to do the best they can with the little they have, suggests that we be authorized to continue packaging under current guidelines for the coming academic year and that should changes be necessary from the federal point of view, that they not be imposed for 1975–76 awards.

I hasten to add that the greater majority of students who seek financial assistance to attend this institution come from financially disadvantaged backgrounds. As a private institution, we cannot look for tax support and I must hurriedly assure you that we receive no assistance whatsoever from the Church. Our history of producing intelligent, honest and productive members of the tax-paying community is a matter of both record and satisfaction. We also assure you that no students will be over-awarded under any of the guidelines now in being or programmed for future use.

Sincerely yours,

Very Rev. JAMES A YOUNG, S.M.,
President.

American Council on Education,
Washington, D.C., March 18, 1975.

Dr. John D. Phillips,
Associate Commissioner for Student Assistance, U.S. Office of Education, Washington, D.C.

Dear John: Several weeks ago the American Council on Education wrote its member institutions calling their attention to the proposed new regulations governing the distribution of Federal funds for student financial assistance for the academic year 1975–76. We are receiving a growing number of responses, most of them copies of letters addressed to your office.

I am sure, therefore, that you are well aware that comments from the institutions are overwhelmingly opposed to implementing the new rules for the coming academic year. While a variety of views are expressed concerning the substance of the proposed regulations, there is virtual unanimity that implementation of the regulations at this late point in the process of awarding student aid will cause untold confusion and disruption, place a serious additional burden on the institutions, and impose unconscionable delays in the determination of college plans for thousands of students throughout the country.

In view of such strong opposition throughout the post-secondary community to the implementation of the regulations at this time, the American Council on Education urges that the U.S. Office of Education defer its proposed changes until the 1976–77 academic year. An early announcement to this effect would be desirable to remove the confusion and concern which has already been generated throughout the higher education community, and to permit timely notification of students.

Sincerely,

Charles B. Saunders, Jr.,
Director.

The George Washington University,
Washington, D.C., March 12, 1975.

Dr. John D. Phillips,
Associate Commissioner for Student Assistance, U.S. Office of Education, DHEW, Washington, D.C.

Dear Dr. Phillips: We are writing to express our opposition to the implementation of the proposed regulations governing the distribution of federal funds for student financial aid for the academic year 1975–76.

The main reason for our opposition is the poor timing of these regulations and the extremely disruptive impact these regulations will have at this late date in the processing year. For example, by February 19, 1975 when the regulations were published in the *Federal Register*, George Washington University had already sent award letters to over 250 incoming freshmen applicants. However, now we are in a "hold pattern" and hundreds of prospective students are becoming quite nervous.

This failure to appreciate lead time on financial aid awards by the Office of Education is especially baffling this year. According to Commissioner Bell, the processing of institutional applications to participate in federal programs is proceeding on schedule this year and grant letters will be mailed on or about March 31, 1975. The thought of what this proposed regulation means—the halting of processing student applications until at least the end of April in the one year we have timely allocations—is indeed frustrating.

We strongly urge the Office of Education to take no action this year regarding revision of the regulations concerning the approval of need analysis systems.

We are grateful for this opportunity to express to you our views on this important matter.

Sincerely,

Mrs. Joyce Dunagan,
Director, Student Financial Aid.

EMORY & HENRY COLLEGE,
Emory, Va., March 7, 1975.

DR. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance, Bureau of Post Secondary Education, U.S. Office of Education, Washington, D.C.

DEAR DR. PHILLIPS: I am writing to express my concern over the U.S. Office of Education's proposed rules published in the *Federal Register* on February 19, 1975, and relative to the approval of need analyses systems for purposes of determining the eligibility of individual students for federal student assistance programs.

My major concern is the *untimely* nature of the proposed regulations. To be rather specific, it is unfair to those students who were given awards before it was announced that new regulations might be imposed by the Office of Education on the standard needs analyses systems. My second concern is OEO's apparent belief that funds will be diverted from the neediest students as a result of changes in the systems. I believe in the professionalism of aid administrators and their ability to meet the needs of the neediest students through a multitude of sources rather than diverting funds from these students. I also believe that Congress's intent to provide equal access to post-secondary educational opportunities is not promoted by denying a student's need as proposed in the needs analyses systems that have worked so well for a number of years. Unresearched regulations superimposed on a system that is already in progress cannot create anything but havoc. Moreover, timely awards to students for the 1975–76 year cannot be made if the proposed regulations are put into effect.

My third concern is that the proposed regulations will enable schools with large endowments to offer financial aid in excess of "federal" estimated needs. I believe very firmly that the choice of a college should not rest primarily on the amount of financial aid promised a student, but given the economy in its present condition and all other factors equal, what student will not choose to go to a college which may offer several hundred more dollars than a similar one with little or no endowment? While the proposed regulations would tend to favor Emory & Henry, I recognize that many colleges who do not have the resources are put to a disadvantage. In addition, the problems that will arise should the regulations be implemented and students given awards above the "federal" standards will carry over into future years. Perhaps the Office of Education would care to explain to students and parents when the regulations do not carry over into year 1976–77 "why Susie gets $2400 this year but can get only $1900 for the following year."

This letter is not meant to imply that there should not be some major revisions in student financial assistance programs because, frankly, I believe there needs to be some. However, I appreciate the opportunity to express my view that it is necessary that student awards be made on a timely basis, and that the proposed OEO regulations will disrupt the continuity of student awards for the ensuing years. If there is one thing that my three years in financial aid has shown, it is the need for continuity.

Sincerely,

BOBBY W. BURCHETTE,
Director of Financial Aid.

DE-DC-MD ASSOCIATION OF
STUDENT FINANCIAL AID ADMINISTRATORS,
March 14, 1975.

DR. JOHN D. PHILLIPS,
Associate Commissioner for Student Assistance,
Washington, D.C.

DEAR DR. PHILLIPS: I am writing to comment on the proposed rules pertaining to Review and Approval of Needs Analysis systems as published in the Federal Register of February 19, 1975.

These rules are establishing a Federal Needs Analysis System (even though Commissioner Bell's recent "Dear Colleague" letter states to the contrary). Whenever you accept a private system and then modify it to meet your needs, it is no longer a private system but a Federal System.

This intercession of the federal government in the "ability to pay" does not seem to be objective. Economic theory and rationale is not being tested; the only concern is the outcome of the analysis of need. The major systems as well as some others have been accepted for years. Now, because of some significant differences, the new expectations of parental contributions are suddenly wrong and the old ones right. It should be noted that the last major revision in needs analysis tables, was approximately three years ago. It is unfortunate that up-dating and corrections together with inflation allowances cause the Office of Education all of a sudden to doubt the veracity of the major systems. It is hard for me to understand this "change of heart" at this point.

This leads me to what is very apparent. Creation of a federal system of needs analysis or the provision for annual review of needs analysis systems is nothing more than a method of hiding the real need of students by over-estimating the ability of parents to contribute to the education of their children. It is assumed that the motivation behind this is to control eligibility for federal assistance programs by interceding in the method of determining family contribution and thus reduce the pressure in the appropriations process. This is an out and out manipulation of the needs analysis system to achieve a political purpose.

There is no need for the Office of Education to feel an obligation to meet the complete gap between the family contribution and the cost of education. We, in the educational community, have always felt the responsibility for financing education should be shared by all levels of government, the private community, institutions and the student. It is necessary for the Office of Education to acknowledge whatever realistic need exists so that the other communities—state and local governments, business and industry, educational institutions, foundations and private donors—can be appealed to for their share.

The timing of these proposed rules is far from timely. The computation tables of ACT and CSS reflect the result of considerable research and have been published for some time, as early as August 1974. If these tables were unacceptable, investigation should have been made immediately and rules proposed much earlier than now.

Applying these rules to the 75–76 academic year is inappropriate. The combination of the public notice period, publication of regulations and the review period would cause the effective date to be sometime in mid-May. By this time admissions decisions have been made, financial aid awards have been offered, replies from students have been received. The student who has gone through this process is expecting a commitment from the college. It not only would be embarrassing for the college to make a change but it would be a commitment that they are obligated to keep.

At this stage colleges have received a large number of needs analysis reports which would have to be recalculated. This revision would be formidable and in the case of large institutions almost impossible. The confusion that would exist would be comparable to the fiasco that existed with the guaranteed loan program in 1973.

The rules propose a review of needs analysis systems annually with approval announcements by September 1. If a system has been used for a particular year and is not approved for a subsequent year, difficulty; or more accurately, chaos would exist. High School guidance counselors, students and parents will have been acclimated to submission to a particular system. Forms will have been printed, catalogs and brochures already distributed, recruiting begun and state programs already in motion.

It is very difficult to foresee the federal government developing a fair needs analysis system. It would eventually yield to political considerations.

There seems to be very obvious methods to circumvent these problems. First, it is an absolute necessity to follow a status quo for this year (1975–1976). The financial aid community is dedicated to aid the needy students first. Therefore, it is proposed that regulations be promulgated establishing guidelines for serving the neediest students first. This will restrict the eligible population and thus negate the total acceptance of the current need analysis tables.

Second, it is proposed that consultations begin immediately with ACT, CSS, concerned state agencies and NASFAA to develop acceptable systems, and a review process that does not permit undue interference with sound economic investigation and an administrative delivery that does not cause havoc.

It is strongly encouraged that these proposed rules be withdrawn and the preceding recommendations be considered.

Sincerely yours,

E. C. St. Lawrence, *President*.